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A worldwide
revolution
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Manmohan Singh
Architect of India's
economic reform
Interview, Page 12



World economy
Japan holds the
key to recovery
Survey, Section III



TOMORROW'S
Weekend FT
German nobles go
under the hammer

World Business Newspaper

FRIDAY OCTOBER 6 1995

D8523A

German slowdown fears fuelled by unemployment rise

Fears of a slowdown in the German economy, especially in the east, were heightened by a gloomy report showing a sharp rise in unemployment in September. The Federal Labour Office said that unemployment rose a seasonally adjusted 48,000 in western Germany, unemployment increased by 14,000 and in the east by 34,000, the office reported. Page 14

Daiwa losses may hit banks: The huge losses revealed last week by Daiwa Bank could adversely affect international confidence in Japan's fragile banking system, a senior Japanese official acknowledged. Page 7; Debate: exacts high price, Page 14

Axa, one of France's largest insurers, yesterday played down suggestions of a conflict with Generali, the Italian insurance group that is one of its largest shareholders, and offered the prospect of closer co-operation. Page 15; Lex, Page 14; Background, Page 16

Mexico seeks to calm markets: The Mexican government sought to bury a perceived policy split among economic policymakers that has unsettled financial markets. Page 6

Irish poet wins Nobel literature prize: Irish poet and essayist Seamus Heaney, left, won the 1995 Nobel Literature Prize "for works of lyrical beauty and ethical depth," the Swedish Academy of Letters said. The academy said Heaney, born in Northern Ireland but living in Dublin, was awarded the \$12m (£800,000) prize for works "which exalt everyday miracles and the living past." Poet of earth and spirit, Page 11

Opal damage costs at \$1.8bn: Insured losses from Hurricane Opal are estimated at \$1.8bn in Florida alone, enough to make it the third costliest hurricane in US history behind Hurricane Andrew and Hurricane Hugo. Page 6

Skoda, the Czech car manufacturer majority-owned by Volkswagen of Germany, is in advanced negotiations to begin assembling vehicles in Russia. Page 5

Allianz attacks single market "myth": The chairman of Allianz, Germany's biggest insurance company, criticised the single European market for insurance as "a myth", adding that it would not become a reality until the EU agreed on harmonisation of legal and social security systems. Page 16

Nissan, Japan's second largest carmaker, is to close an engine plant at its Kyushu complex in southern Japan, a move that underlines the growing problems of the Japanese car sector. Page 17

Lloyd's of London said its finances were stronger than expected and that delays in its radical recovery proposals would not stop the insurance market seeking members' approval for the plan next month. Page 8

Algerian car bomb kills nine: A car bomb exploded in a hotel parking lot in eastern Algeria, killing nine people and wounding 19.

Malaysian towers 'not leaning': The developer of a pair of super towers in Malaysia denied rumours that the 88-storey office blocks, expected to be the world's tallest when completed next year, were tilting.

Tremors spark Japan quake alert: Authorities in Japan's Izu peninsula, about 100km (60 miles) south-east of Tokyo, went on alert for possible earthquakes and volcanic eruptions after minor tremors on Wednesday.

Tamilis split after 300 killed: Sri Lanka said more than 300 Tamil Tiger guerrillas had been killed in an offensive by armed forces in the north and fighting within the rebel ranks was increasing.



Macedonia votes to change flag: The Macedonian parliament voted to change its controversial national flag, clearing a major obstacle in its dispute with Greece. The new flag, right, with rays reminiscent of the Japanese rising sun design, removes the 16-pointed golden star claimed by Greece. Murder bid unites Macedonians, Page 3

STOCK MARKET INDICES	
New York Composite	4,789.95 (+0.72)
Dow Jones Ind. Av.	4,789.95 (+0.72)
NASDAQ Composite	1,008.68 (+4.41)
Europe and Far East	
CAC40	1,008.32 (+3.35)
DAI	2,268.02 (+4.94)
FTSE 100	3,244.4 (+0.2)
Nikkei	18,228.41 (+75.33)

US LUNCHTIME RATES	
Federal Funds	5 1/4%
3-mth Treas. Bill: Bid	5.430%
Long Bond	10%
Yield	6.41%

OTHER RATES	
UK 3-mth Interbank	6 1/2%
UK 10 yr. Govt	10.3%
France 10 yr. Govt	10.1%
Germany 10 yr. Bond	10.2%
Japan 10 yr. Govt	11.4%

NORTH SEA OIL (August)	
Brent 15-day (Nov)	\$15.65 1/2 (16.02)
Oil	
Australia	\$4.95
Bahamas	\$4.15
Bahrain	\$4.15
Bulgaria	\$4.15
Cyprus	\$4.15
Dominican	\$4.15
Egypt	\$4.15
Guinea	\$4.15
Indonesia	\$4.15
Iran	\$4.15
Italy	\$4.15
Japan	\$4.15
Kenya	\$4.15
Libya	\$4.15
Malaysia	\$4.15
Mexico	\$4.15
Morocco	\$4.15
Nigeria	\$4.15
Oman	\$4.15
Pakistan	\$4.15
Peru	\$4.15
Poland	\$4.15
Portugal	\$4.15
Qatar	\$4.15
Romania	\$4.15
Russia	\$4.15
Saudi Arabia	\$4.15
Spain	\$4.15
Sri Lanka	\$4.15
Sudan	\$4.15
Switzerland	\$4.15
Taiwan	\$4.15
Tanzania	\$4.15
Texas	\$4.15
Thailand	\$4.15
Turkey	\$4.15
UAE	\$4.15
UK	\$4.15
USA	\$4.15
Venezuela	\$4.15
Yemen	\$4.15
Zambia	\$4.15
Zimbabwe	\$4.15

Drugs groups fear sales losses

By Motoko Rich in London, David White in Madrid and Judy Dempsey in Berlin

Multinational drugs groups in Europe expect to lose up to \$2bn a year in sales when low-priced Spanish and Portuguese medicines can be legally exported to other EU countries from tomorrow.

The French and German governments yesterday made last-minute pleas to the European Commission to prevent the exports of drugs made in Spain and Portugal or previously imported by the two countries. The commission was expected to reject their appeals though by late last night it had not announced a decision.

The German pharmaceuticals association believes its domestic

France and Germany in late plea to prevent low-priced exports from Spain and Portugal

industry could lose up to DM2bn (£1.3bn) a year in sales if wholesalers buy their drugs from Spain and Portugal, where drugs are sold cheaply, and then import them into high-priced markets such as Germany and the Netherlands. The British industry estimates annual losses could reach £100m (\$158m). Manufacturers based in France and the Netherlands would also suffer losses.

The immediate benefit would be mainly to the wholesalers, distributors and pharmacies, which could pocket the price difference between the markets - some times as much as 50 per cent. The

gains would not in the first instance be passed on to consumers since most drug prices are set by governments and often purchased with the help of public funds. However, eventually, taxpayers and consumers would also benefit if governments in high-priced countries cut retail prices.

Before Spain and Portugal entered the EU, their drugs were banned from EU markets because neither country offered patent protection for pharmaceuticals. When they entered in 1985, restrictions remained. In 1992 both countries passed tougher patent laws, but the commission

decided to keep the bans in place for a further three years, to give drugs companies elsewhere time to adjust. That ban expires tomorrow - unless the commission grants a further extension or imposes other controls.

Drugs companies complain that governments with little indigenous industry such as Spain, Portugal and Greece set low medicine prices in order to lower national drug bills, whereas countries with a drugs industry set higher prices to cover research and development costs. Since prices are set in local currencies, the steady devalua-

tion of the Spanish peseta and Portuguese escudo have magnified price differences. For example, the wholesale price of Zantac, UK-based Glaxo Wellcome's top-selling drug, is 45 per cent higher in Germany than Spain.

The Association of the British Pharmaceutical Industry claimed: "The impact of parallel imports from Spain could seriously damage the UK research-based pharmaceutical industry's search for new medicines while providing little or no benefit to the NHS and its patients." The German government wants the ban lengthened for seven years while the French authorities are lobbying for a two-year extension. "We hope this pressure will

Continued on Page 14
Lex, Page 14

UN plans troop withdrawal ■ Conflict rivals to attend US peace talks this month

Clinton announces Bosnia ceasefire agreement

By Bruce Clark in Washington and Harriet Martin in Sarajevo

US President Bill Clinton announced yesterday that the Bosnian government and the Serbs had agreed a ceasefire and would attend US-sponsored peace talks later this month.

The announcement marked a fresh success for the US drive to end the conflict in Bosnia through diplomacy and force. Mr Clinton's eagerness to announce the ceasefire, due to take effect on October 10, indicates he is confident this ceasefire, unlike previous ones, will hold.

The deal, which depends on the Serbs restoring gas and electricity to Sarajevo, the Bosnian capital, came despite signs this week that the shuttle diplomacy of Mr Richard Holbrooke, US peace envoy, had failed to bring the warring parties together for peace talks.

"We must be clear-eyed about it. What matters is what the parties do, not simply what they say," Mr Clinton said. "We are now on the right road, but we have by no means reached our destination."

After the president's announcement, the United Nations said it would withdraw about a third of its 30,500 peacekeepers in Bosnia. About 3,000 British troops, based in neighbouring Croatia, will be among those withdrawn this month. Troops from other countries including Canada, the



President Bill Clinton said "we are now on the right road" as he announced the Bosnians and Serbs had agreed a ceasefire

Netherlands and Spain will also be sent home.

Under the ceasefire deal, the warring parties will end all hostile military actions. Bosnia, Croatia and Serbia have also agreed to attend peace talks in the US later this month.

US officials said regional leaders would be invited to a

"secluded location outside Washington" where mediators could help them thrash out details of a final settlement.

Mr Holbrooke flew to Sarajevo and then the Croatian capital, Zagreb, yesterday after a tough negotiating session with the

Continued on Page 14

Turkey and Russia to split Caspian Sea oilfield routes

By Edward Mortimer in London

Oil from Caspian Sea fields will be split between Russian and Turkish-sponsored routes. The decision, taken in London this week by a consortium of 12 international companies, was hailed as a victory for the Turkish government.

The year-long argument over the route has developed into a highly politicised contest between Russia and the US. At stake is Russia's bid to reassert control of former Soviet republics in the Caucasus and central Asia on one side, and the US attempt to use Turkish influence to bring those countries closer to the west, on the other.

The decision by members of the Azerbaijan International Operating Company (AIOC) will enable Turkey to reactivate a tanker terminal at Ceyhan on the Mediterranean, which has stood idle since an Iraqi pipeline was shut down in 1990.

It also avoids increasing oil traffic through the Bosphorus,

which Turkey considers a serious ecological hazard. Roughly half the 5m tonnes of oil a year from the Chirag field - the first big western development in the Caspian - will go through a Russian pipeline. The other half will be piped to the Georgian port of Supsa, then to northern Turkish ports and on by rail to markets in central Anatolia.

Turkey has said it will buy all the early oil for its own needs, but the route will later be used for exports through Ceyhan. Turkish officials say the decision was accepted by representatives of Lukoil, the Russian member of the consortium, but they are uncertain about the reaction in the Russian government.

The decision has still to be ratified on Monday by the AIOC steering committee in Baku, capital of Azerbaijan, under whose offshore waters the Chirag oilfield lies. Azerbaijan's national oil company, Socar, is a member of the consortium, which is led by British Petroleum and Amoco of the US.

President Heydar Aliyev of Azerbaijan, a former Soviet Politburo member and head of the Azeri KGB, has been under heavy pressure to favour the Russian route. Russia closed its border with Azerbaijan earlier this year, ostensibly to stop weapons being smuggled to Chechen guerrillas.

But Turks say Mr Aliyev has now been swayed by US arguments that the Turkish route will strengthen Azerbaijan's links with the west and make it less vulnerable to Russian pressure.

BP, backed by the US government, had been resisting US pressure, apparently considering that Russia held an effective veto on oil exports from the region and should therefore be placated. But both US and Turkish diplomats have worked hard to persuade Britain that it too has a national interest in securing diversified and independent partners in the region. Mr Malcolm Rifkind, UK foreign secretary, was heavily lobbied with this argument on a recent visit to Ankara.

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Number 394201)
ies and Futures Authority
a Stock Exchange

Japanese banks face cold shoulder following \$1.1bn trading losses

Daiwa debacle exacts high price

By Gerard Baker in Tokyo and
Antonia Sharpe in London

Japanese financial institutions are paying a high price for the Daiwa Bank debacle. More than a week after Daiwa, the country's 12th biggest bank, announced \$1.1bn losses in unauthorised bond trading, almost all Japanese banks are facing the cold shoulder from the rest of the world in the form of higher funding costs and tighter credit.

"We are certainly seeing renewed concern in international markets," said a leading bank in Tokyo yesterday. "It's hardly surprising. Every day, the rest of the world reads about new problems in Japan and that is obviously having an effect. God alone knows when it will end."

Most troubling for Japan's banks is the re-emergence of the so-called "Japan premium", the extra interest that Japanese borrowers must pay for their funds in interbank markets in Tokyo, London, New York and elsewhere.

The premium, largely absent from international money markets for the past five years, returned with a vengeance during the summer. Foreign banks watched with mounting concern in August as quick succession of three financial institutions collapsed.

Their fears that the contagion could reach the big international Japanese institutions led them to

Worldwide fears of Japanese financial meltdown have affected not just the price but also the availability of credit for some of the country's banks.

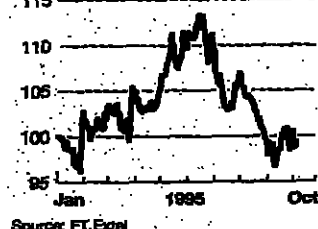
raise the rate at which they lend to those banks. Then last week, the news that Daiwa Bank had lost \$1.1bn in allegedly fraudulent bond trading in New York intensified the concern and saw the premium jump even higher.

"Even before Daiwa, pressure was increasing," said Mr Yukiko Ohara, financial sector analyst at UBS, the Swiss bank, in Tokyo. "But that accident made a lot of people much more nervous about the state of banks in general."

The amount of the additional cost varies with the creditworthiness of each bank, but money market dealers say some are now paying as much as 0.375 percentage points above interbank offered rates in London, Singapore, Tokyo and other international money centres. Even the largest and soundest of banks, such as Mitsubishi and Bank of Tokyo, have seen their funding costs rise by up to

Japanese banks

Relative to the 225 Average
(% index)



Source: FT Data

0.125 per cent. Global fears of Japanese financial meltdown have affected not just the price but also the availability of credit for the country's banks. Several weaker companies have seen their lines of credit from large European and American banks chopped.

"Some institutions which might have been extended, say, \$100m as a credit line from international lenders but have so far drawn down only \$30m of that, have now seen the banks cut the available credit back to what has already been advanced: they can't get any more," said Mr J. Brian Waterhouse, financial sector analyst at James Capel Pacific in Tokyo.

Japanese banks say they can handle the costs of the extra funding, which they believe will prove temporary. But the squeeze is worsening problems at weaker banks.

The cost of the Japan premium

seems small in total, but in highly competitive financial markets it is proving costly. In the past year, weak demand for bank lending in international markets has seen loan rates charged to customers fall, squeezing the margin between banks' borrowing costs and their lending rates. In some syndicated loans in Asian markets, the Japan premium has resulted in some banks' margins disappearing altogether, forcing them to drop out of the syndicates.

This has come as a relief to non-Japanese banks, which are hoping that a partial withdrawal by Japanese lenders could allow them to increase their lending margins and profitability. "If the Japanese have to withdraw, that will take out a lot of excess liquidity from the market and margins can then recover," said one banker.

So far, there are no signs that the big Japanese banks are becoming less aggressive. Indeed, four banks are participating in a \$700m loan for BTR, the UK industrial conglomerate, which has secured a margin over the London interbank offered rate (Libor) of just 11% basis points (a basis point is one hundredth of a percentage point).

But if the Japan premium persists such deals will become less attractive for Japanese lenders. One London banker said: "If these banks are having to fund themselves at a higher level than BTR, they will be losing money."

German unemployment rise adds to fears of slowdown

By Wolfgang Münchau
in Frankfurt

Fears of a slowdown in the German economy, especially in the east, were heightened yesterday by a gloomy report showing that unemployment rose sharply in September.

The Federal Labour Office said unemployment rose a seasonally adjusted 48,000. In west Germany, unemployment increased by 14,000 and in the east by 34,000, the office reported. The jobless rate in eastern Germany was unchanged from a year ago at 13.8 per cent.

The figures for east Germany underlined fears that the momentum behind the economic reconstruction process is falling at a time when unemployment remains significantly above the 8.1 per cent in the west.

The strong rise in unemployment is partly a reflection of economic

slowdown, but may also have been boosted by large pay increases agreed in most industrial sectors earlier this year.

Mr Bernhard Jagoda, labour office president, said the figures were "not as good as we expected", adding that economic performance was not strong enough to revive the labour market.

The office cited exceptional factors - notably the early holiday season - which are not included in the statistical adjustment process, as a possible explanation for the east German figure.

Mr Jagoda yesterday went out of his way to play down the threat to the eastern economy. He said the figures showed the east German labour market had progressed significantly in the five years since unification, but conceded the country had not yet achieved the same living conditions as in the west.

Despite the soothing words and

possible statistical distortions, the figures will heighten concerns about short-term developments in the German economy. The corporate sector is faced with the dual pressures of a substantial increase in wages and the appreciation of the D-Mark against the currencies of in some of Germany's largest export markets.

At its fortnightly council meeting, the Bundesbank yesterday left interest rates unchanged, but the weak figures may have increased the room for manoeuvre for a further cut in the discount rate before the end of the year.

Within Germany, unadjusted unemployment figures tend to receive greater public attention. On an unadjusted basis German unemployment rose by 27,700 to 3.52m, or from 9.1 per cent to 9.2 per cent of the labour force on an annual basis.

EU imports worry for drugs groups

Continued from Page 1

work because there are two issues at stake," said Mr Ulrich Vordervulbecke, domestic and foreign markets manager of Germany's Association for Research-based pharmaceutical companies (VFA). "The first one is financial. The second is intellectual property."

Mr Charles Bouchard, senior director for European public affairs at Merck, the US drugs company, said: "The (European) industry wants the ban extended for seven years because by that time patent protection will be full and fairly in place and products will be able to flow as they rightly should. The industry has no objection to products flowing where equal terms exist."

Merck has led industry efforts to get the deadline extended to the issue of parallel imports reviewed. It has brought a case in the UK, successfully blocking the import of its own products from Spain. The case has been referred to the European Court of Justice, asking the court to overturn an earlier judgment on a different parallel imports case.

In the UK, parallel imports represent a small proportion of pharmaceutical sales because of the import restrictions and because British producers have cut prices in recent years.

Clinton announces Bosnia ceasefire deal

Continued from Page 1

Serbian leadership in Belgrade on Wednesday. The deal was announced after it won the agreement of Bosnian president Alija Izetbegovic, Serbian president

Slobodan Milosevic and the Bosnian Serb leadership.

Nato defence ministers are meeting in Williamsburg, Virginia, to hammer out details of a peace implementation force of up to 70,000 troops. Diplomats say

there is a plan to deploy US forces in central Bosnia. British forces in the south and west of the republic, and to leave French troops in Sarajevo, where they already play a prominent role.

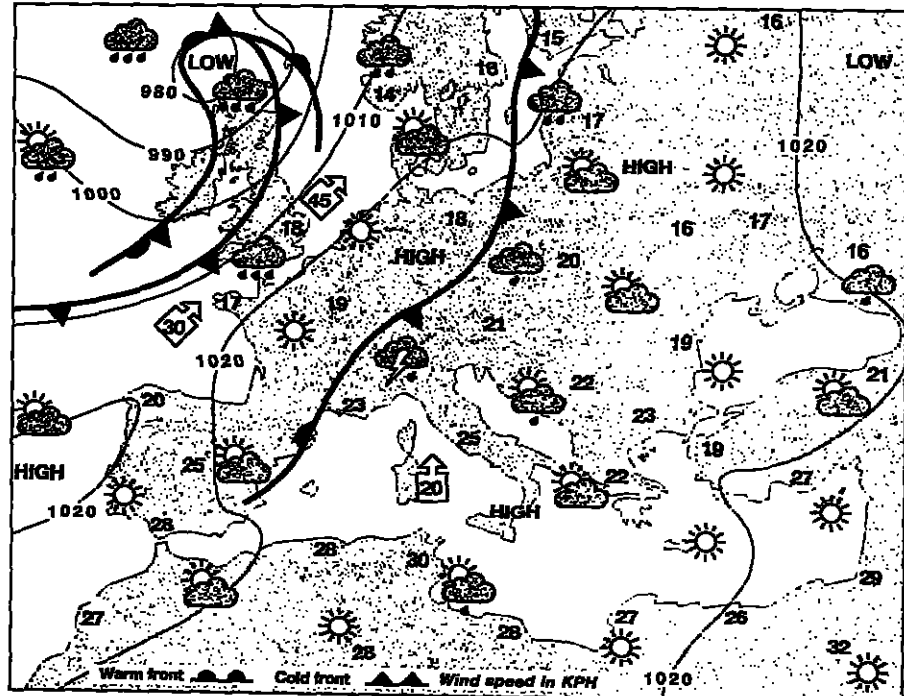
FT WEATHER GUIDE

Europe today

Scotland and western England will have rain as a new frontal system and its associated depression move into the north-west of the UK. Ireland will have sunny spells and scattered showers. The Benelux and much of France will have mainly clear skies but high cloud from the west will enter the continent later in the day as the front approaches. Northern and north-east Spain will have sunny spells but the rest of the Iberian peninsula will be cloudless. Showers, at times accompanied by thunder, will linger over northern Italy, the Alps and south-eastern Germany. Finland will also have plenty of rain. Other parts of Germany, Denmark and Sweden will be dry with sunny spells. Eastern Europe will have a mixture of cloud and sun.

Five-day forecast

High pressure over eastern Europe will extend more influence over the western part of the continent. Therefore, low pressure will stay over the Atlantic and only its associated fronts will affect the UK at times. The continent will have frequent sun and temperatures will rise slightly above seasonal levels in the west.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Location	Temp	Location	Temp
Abu Dhabi	sun 30	Madrid	sun 24
Accra	sun 30	Moscow	sun 17
Algiers	sun 28	Munich	sun 17
Amsterdam	sun 28	Nairobi	sun 24
Athens	sun 28	Paris	sun 17
Bahia	sun 28	Rangoon	sun 24
Bangkok	sun 28	Seoul	sun 24
Barcelona	sun 28	Singapore	sun 24
		Stockholm	sun 24
		Sydney	sun 24
		Taipei	sun 24
		Tokyo	sun 24
		Yokohama	sun 24

FORECASTS BY METEO CONSULT OF THE NETHERLANDS

Location	Temp	Location	Temp
Cairo	sun 28	London	sun 17
Cebu	sun 28	Los Angeles	sun 17
Dakar	sun 28	Manila	sun 24
Dhaka	sun 28	Medan	sun 24
Hanoi	sun 28	Perth	sun 24
Hong Kong	sun 28	Prague	sun 17
Kuala Lumpur	sun 28		
London	sun 17		
Los Angeles	sun 17		
Manila	sun 24		
Medan	sun 24		
Perth	sun 24		
Prague	sun 17		

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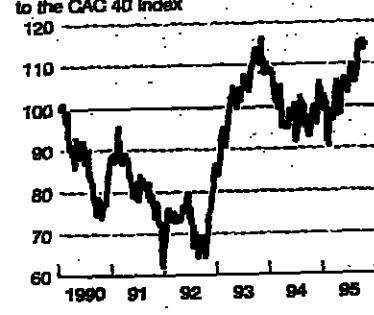
THE LEX COLUMN

Sharp Axa

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1541.6 (+13.5)

AXA

Share price relative
to the CAC 40 Index



Source: FT Data

Generali wants to capitalise on its investment in France's Axa. And the French insurance group is making vague noises about being willing to co-operate. But it is clear that Axa holds the cards in any negotiation. Its first big acquisition outside France, Equitable Life in the US, is performing strongly, lowering Axa's reliance on the tough French market. Meanwhile, Axa has gained a substantial foothold in Asia through its acquisition of National Mutual. NM's Hong Kong subsidiary is taking the plunge into the largely untapped Chinese market.

It is easy to see why Generali is upset. It has 40 per cent of a holding company which owns 42 per cent of Axa. In Italy, this type of pyramid structure would normally be more than enough to control management. Similar structures exist at Fiat and Pirelli and there is no question who is boss. Nonetheless, while Generali has appointed three people to Axa's board, it has had no say over strategy. Now that Axa has pushed into Asia, Generali would like to cling to its coat tails through co-operative ventures. Alternatively, it would like to replace the pyramid structure with a direct share in Axa, which it could then sell at a handsome profit.

The problem for Generali is that Axa has no incentive to help. Generali would bring little to its Asian ventures, so there is no point in adding it as a partner. Meanwhile, AXA remains vulnerable to takeover with its return on equity at around 6 per cent. The current shareholding structure provides protection until it can boost profits further.

European drugs

The drugs industry has a strong moral case in calling for a delay in parallel imports from Spain. The country has only recognised patents since 1992, with the result that cheap copies of older pharmaceuticals are still circulating. But investors should not be overwrought by the industry's prediction that margins in higher-priced countries will be slashed by a flood of cheap Spanish imports. As trade bodies lobby the European Commission, they have an interest in exaggerating the damage.

There is nothing new about parallel imports. France and Greece, where prices are generally low, export drugs to the UK and Germany where prices are high. But such parallel trade accounts for less than 5 per cent of the total market. Removing the ban on

Spanish exports would expand the supply of cheap drugs. But, though Spanish prices are low, they are not very different from those in France.

For parallel trade to be profitable to the middleman, a price differential of around 20 per cent is normally needed. Moreover, it is only commercially attractive to export best-sellers. Usually these are relatively new drugs, where the price differentials between countries tend to be small. Although some older drugs are still best-sellers, often they have different packages or doses in different countries - making parallel trade impossible. A few best-sellers, notably Merck's Vasotec, are much cheaper in Spain than elsewhere, while appearing in the same packages. But the problems are isolated.

Fisons/RPR

Rhône-Poulenc Rorer's increased offer leaves Fisons looking badly wounded. Its management's determination to fight on does not seem to be shared by its shareholders: RPR was able to sweep up almost 17 per cent of the shares in the market yesterday and as long as the price stays below the increased 260p a share offer it can continue to buy. If RPR manages to get more than 30 per cent by tonight, the Takeover Code allows it to continue buying next week. Institutions keen to get their money quickly rather than waiting for another five weeks under the bid timetable may well decide to sell.

That is in no way a reflection on the Fisons management led by Mr Stuart Wallis, chief executive. They have doubled the share price in less than a

year and the imaginative sale of research and development operations has transformed the group's profitability. But even Mr Wallis has been unable to reverse the decline in value of the group's asthma drugs. Moreover, last week's small deals will contribute meaningfully to profit in the long term. Fisons possesses a valuable piece of technology in its dry powder inhaler but plenty of rival products are further down the regulatory queue. Selling now means investors will get their money more quickly. But it is just a small possibility that Fisons could still come up with its own bid for a big deal at the last minute. For cautious shareholders, there is harm in delaying acceptance.

Boddingtons

The consolidation of the brewing sector proceeds apace. Fisons is the brewer's nemesis. It is unable to take out economies of scale from harsher operating climate imposed by government regulation. Now the owners are following, attempting to build critical mass so they can continue to strike good deals with a dwindling number of beer suppliers. Shareholders in Boddingtons, the latest bid target in the sector, should be grateful to its management. It has done all the right things. It got on well at a good price and built an excellent pub portfolio. Its sales business looks weak, but management's only real mistake was its failure to win the battle for pub chain Devenish. Ironically, successful bidder, Greenalls, is likely to buy Boddingtons - and similarly high price.

For Greenalls, a deal would make sense. It could cut out Boddingtons' head office, gain discounts on purchasing food and drink, and build up fledgling distribution business. Greenalls' purchase of Devenish was a historic price-earnings ratio of 21. It has certainly won over initial scepticism. Greenalls should be able to achieve around double the £3.8 year cost savings gained at Devenish and if it pays £4 a share it would be buying Boddingtons for a similar multiple. Greenalls' shareholders will almost certainly face earnings dilution. But they will gain an edge over smaller pub owners if the falling price of big brewers starts to translate into higher prices for their beer.

Additional Lex comment
UK water on Page 14

Departures

Destination

105	ADELAIDE
900	BETTING
616	SEOUL
078	AUCKLAND

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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

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A plague from both parties

There is a very real danger that the British political scene, there is a consensus on how the UK will be governed, known as "Thatcherism", after R.A. Butler, the Tory strategist, and Hugh Hallett, Labour leader of the 1950s and early 1960s. Now other consensus seems to be emerging, one that might be called "Blairism", after his twin sons, Mr Michael Heseltine, the prime minister, and Mr Tony Blair, the Labour leader. Blairism has attractive features. But there are risks all the same.

Blairites love the notion of "partnership" between government and industry. From time to time they also talk of competition. But often this means support for businesses against foreign competition. When Heseltine looks at the privatised public utilities, he thinks of the benefits of size. Blairism is more egalitarian, not to say populist, than Tony Blair's version. But these dangers should not blind people to the similarities.

Mr Blair's proposed deal in British Telecommunications is a plan to allow the broadcast entertainment network after 2002, in competition with cable companies. In direct return for BT's agreement to connect up every school, college, hospital and library in Britain to the "information superhighway", for free. Yet the main problem in telecommunications is the overwhelming dominance of BT. The Labour party is appearing to endorse this

quasi-monopoly in return for securing a specific social objective, off-budget.

The government's policy towards electricity generation and supply is far less defensible. It seems prepared to watch the structure of the industry being transformed by mergers, without making any reference to the Monopolies and Mergers Commission. That could make sense only if it were quite certain that these changes carry no significant anti-competitive risk. It cannot be.

Some argue that the industry is being reshaped by market forces. But it is mergers that are reshaping the industry, which are as likely to be motivated by the aim of increasing monopoly power as of lowering costs.

The argument is also made that there will be full market liberalisation in 1998, when consumers will be able to shop around. Meanwhile, prices will be regulated. But the effectiveness of the envisaged competition remains unclear, while the task of the regulator, already difficult, can only become harder after these mergers. As Professor David Newbery argues on this page, it would be extraordinary to allow such a radical consolidation without investigation.

Mr Blair is flirting with Heseltainism, while the government's approach represents that doctrine in full flower. By failing to promote competition, any government merely ensures indefinite prolongation of the politicised and arbitrary regulation of today. Competition remains the superior alternative.

Media trials

British justice going the way of the US, where "trial by media" is made fair trial and conviction celebrities a virtual impossibility. Or is press freedom in danger from restrictions on reporting a trial? It is brought to trial? The questions are prompted by the case of Geoffrey Knights, the victim of a TV "soap" actress, who is trial for wounding and assault was halted this week after the judge called "unlawful, leading, scandalous and malicious" reporting in a number of papers. The attorney-general is considering whether the editors of a case to answer for causing actual risk of serious prejudice to the trial under the 1981 Contempt of Court Act.

His case is in some respects similar. It is impossible to judge their coverage of the case after Knights was charged did cause "serious prejudice". However, it is raise some more general issues concerning the public interest in permitting defendants a fair trial, and in ensuring, through the reporting, that justice is done. The judge's ruling is a sub judice law restricting comment on a case until it comes trial has generally served us well. As the O.J. Simpson case witness, it is greatly to be feared that the no-holds-barred approach allowed under the first amendment to the US constitution, which results in jurors having to be artificially sequestered from exposure to the media. Nevertheless, there are signs the law is fraying - or at

least that newspapers are increasingly testing its boundaries. In at least one recent case - that of the Taylor sisters, whose conviction for murder was subsequently overturned - prior publicity demonstrably prejudiced a fair hearing.

This prompts two further worries. One concerns the prospect of a flood of attempts by defendants to abort trials purely because of such publicity, or even of attempts by unscrupulous defendants to secure publication of prejudicial material with that intention. The second is that judges will over-react, and introduce undue restrictions on trial reporting.

It is important to keep the problem in proportion. The authorities should not over-estimate the impact of pre-trial publicity; juries make great efforts to come to fair decisions based on the evidence before them, and judges have ample opportunity to ensure that they take these duties seriously. But there is a real risk that reporting will cause prejudice, the authorities would be sensible to adopt a more consistent approach to warning the media to take care.

No such warnings were issued in the case of Mr Knights, which may help to explain the behaviour of some newspapers. Conversely, the judge in the Maxwell trial has issued stern admonitions on fair reporting, and the media has generally acted with impeccable restraint. If warnings are properly issued and a media organisation does not heed them, there is no reason why it should not be prosecuted for contempt.

Resignations

Akira Fujita and Mr Sumio Awa, president and chairman of Daiwa Bank, were last night under pressure to resign. They are not certain to do so in the next few weeks, after a decent period of reflection. This is not just a case of the persuasiveness of men from the finance ministry keen to chastise Daiwa for the allegedly fraudulent \$1.1bn bond selling loss in its New York branch, accused of violating US banking laws. Their impending resignation is also part of the long Japanese tradition that the top people must make what is usually a very ritual statement for an organisation's misdeeds.

The Daiwa bosses' punishment will not be as painful as it looks. A year or two, both of them, if previous cases are any guide, will appear as senior advisers to some pillar of the corporate establishment. Such ritual resignations may once have served Japanese companies well. They are a painful way of putting problems into the past and getting back to business as usual. But Daiwa's case is different. Its crisis took place outside Japan. So a merely ritual statement would damage its international credibility and that Japan's financial system.

Self-evidently, the top heads are the only ones that should roll, particularly since it is common to hedge that the top people in Japanese banks, as in industrial companies and maybe even governments, are figureheads. They are little influence in their own organisations by comparison with

western business or political leaders. It is in the middle ranks that the important choices are made, for good or as in Daiwa's case, ill. It was probably at this level that someone overlooked the fact that Mr Toshitake Iguchi, the bond dealer who admitted the loss, was left in charge of both trading and custody of bonds. That classic error made the alleged fraud possible.

If Daiwa's foreign creditors and customers are to be persuaded that such mistakes will not be repeated, they need more than the retirement of the two top men. They need to see a wholesale rethink of the management structure, as took place in Barings, a similar case.

To some extent, the same is true of other leading Japanese banks. They are now being charged a risk premium to borrow abroad. This is partly because of the general instability of the Japanese financial system, tottering under the weight of ¥500bn of bad debts. It is also because of worries that horrors, such as the one that befell Daiwa, may be lurking in their middle management ranks.

Senior Japanese finance officials will be in Washington this week-end to persuade leading US and European banks that the government has got its financial crisis under control. They may get a sceptical reception. Ritual is no longer enough. An altogether tougher creed - real change, to prevent repetition of past errors - is needed. Nor is the case for this restricted to banking alone.

Later today the satellite digital television revolution will come to Africa, several weeks before it is time to start officially in Europe. A high-quality digital service will offer 24 channels to about 200 subscribers from the Atlas mountains in north Africa to the Cape of Good Hope who have paid about \$800 (£506) for the decoder to receive programmes.

But NetHeld, the company behind the venture, hopes the number of receivers will rise quickly once the service starts broadcasting and plans to increase the number of channels to 120 over the next two years.

"There is definitely a market in Africa if we pick our shots carefully," says Mr Kees Bekker, chief executive of NetHeld, which is owned by Richemont, the tobacco and luxury goods group, and MultiChoice, a South African company. "The highest pay television penetration in the world is in Namibia which is not the likeliest place. There is little else to do in terms of theatre or cinema."

NetHeld already offers pay television in 42 countries in Europe, Africa and the Middle East, and is launching digital satellite services in the Middle East this month, in Italy next month and in the Benelux countries early next year. The company is backing its belief that consumers want 100 or more channels with hundreds of million of pounds in investments. It recently placed orders for 1.1m digital satellite receivers worth an estimated \$550m with Philips, the Dutch electronics giant, National Panasonic of Japan and Pace of the UK.

The ambitious plans of the Dutch-based company are only one example of a worldwide revolution in television involving investments totalling billions of pounds. By the end of 1997 most parts of the world will have the opportunity to tune into at least 150 channels of digital television; in Europe, the total could easily be more than 500.

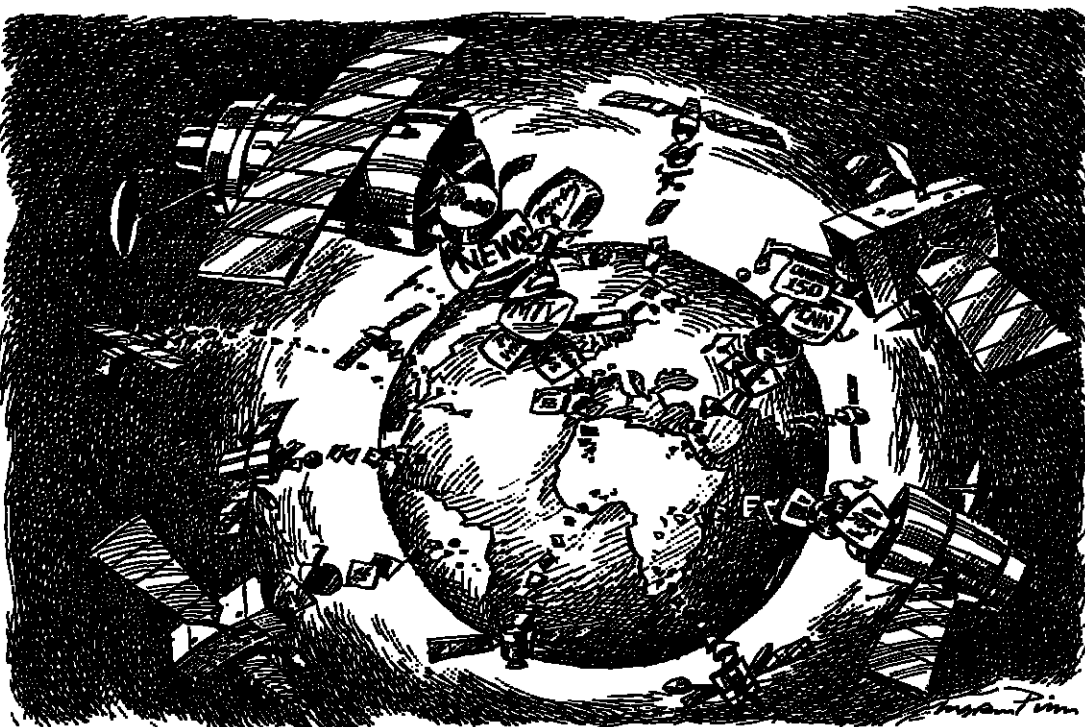
The revolution is made possible by the arrival of digital compression technology. With traditional analogue broadcasting, every line and frame of a picture is transmitted - even though there are relatively few changes from line to line and frame to frame. Digital broadcasting transmits only the difference between successive lines and frames and then recreates the original picture perfectly.

Many more television programmes can be broadcast from satellites using digital technology than analogue technology. A satellite normally has up to 20 transponders, each of which can transmit one analogue channel, but six to eight digital channels.

With digital technology, the cost of broadcasting a channel falls to a

Broadcasters dish up a revolution

Digital technology is driving an expansion of the global satellite television industry, says Raymond Snoddy



fraction of the present \$3m to \$4m a year it costs for a single analogue channel. And since many television studios are already using digital technology, there is little cost in adding new channels.

"Each technology as it develops reaches a point where it is market-ready and the judgement you have to make is whether digital has reached that point," says Mr Bekker. "We believe it has because of the compression."

The digital satellite revolution began a year ago in the US with DirecTV, a Hughes Communications company, which broadcasts 175 channels to 18m dishes across North America. In the first year the number of subscribers has reached more than 800,000 and the broadcasting company says it expects to pass the 1.3m figure by the end of the year.

DirecTV is also planning to launch Galaxy Latin America, with partners such as Multivision in Mexico and Televisa in Brazil, early next year. The service will carry 72 channels in Spanish and 72

in Portuguese as well as 60 CD-quality music channels.

Galaxy will not be alone over Latin America. Mr Rupert Murdoch's News Corporation has linked up with the TV Globo, the Brazilian broadcaster, to provide a direct-to-the-home service covering Latin America and the Caribbean.

Other multi-channel projects which will greatly extend the number of channels on offer range from Australia, Asia - Mr Murdoch again, through Star TV - to Europe. In Europe the first of three wholly digital Astra satellites, each costing about \$200m, is due to be launched on October 14. It is expected to start broadcasting by the end of the year, and when all three are in service by the end of 1997, Astra will be able to transmit 500 channels over Europe.

Mr Romain Bausch, director-general of SES, the Luxembourg group which owns Astra, says 85 per cent of the capacity is already leased and negotiations over most of the rest are in their final stages. European television groups which have signed up include Canal Plus,

France's leading pay television group; the Munich-based Kirch organisation which dominates German film and programme distribution; CLT, the Luxembourg-based international broadcaster, and British Sky Broadcasting, the UK pay-television group controlled by Mr Murdoch.

Eutelsat, the satellite television group owned by the main European telecommunications operators, is also launching satellites capable of either digital or analogue broadcasting. The first of three "Hot Bird" satellites was launched in March and the three could add another 500 channels - channels that can be delivered in Europe to 40cm dishes.

"Obviously people want to be first. There is a rush through the door," says Mr Giuliano Beretta, commercial director of Eutelsat.

The question that remains is whether there will be enough customers willing to pay for a decoder and to subscribe to a 150-channel digital package. The cost is likely to be several hundred pounds until high volumes of sales drive

down the price of receivers. One of the important elements in enticing new viewers is near-video-on-demand - devoting 60 channels to showing eight or nine films. Each is shown on several channels with staggered starts, so the viewer has to wait only 20 to 30 minutes to catch the start of a film. The digital black boxes will have modems on board so that films and other satellite services can be ordered automatically through the telephone lines.

The evidence from DirecTV and experiments in places like Rotterdam suggests that near-video-on-demand can push up the average number of films viewers pay to see each week from one to nearly two. While this provides additional revenue, it will hardly drive a viewing revolution. Despite this, CIT Research, the London-based communications analyst, estimates that nearly 9m European households will own a digital satellite receiver by 2004, with 20m owning a satellite dish of some sort.

Some industry analysts believe that the digital satellite systems will pose an increasing threat to older 30-channel cable systems in countries such as the Netherlands and Belgium or even more modern systems in the UK with 50-channel capacity. With many of these systems now being used at capacity, massive investment would be required to upgrade them.

The cable companies remain confident that they can offer an equivalent service. Mr Eugene Connell, chief executive of Nynex, the second-largest UK cable group, says the industry can make sure the viewer is "future-proof" by bringing the latest channels and services to customers via cable.

But satellite broadcasters believe digital broadcasting offers an enormous increase in capacity without the need for relaying cable.

And in the longer term, they are working on devices that allow individual customers to communicate with satellites directly. Such devices are likely to be expensive and initially restricted to business use. But they could lead to satellites in effect coming "on-line" for customers who will be able to call up data and services through them. Mr Bausch of SES recently gave evidence to a taskforce set up by the Luxembourg government to look into building the information superhighway in the country.

"I asked them: 'Why are you looking to build an information superhighway? You have it already. It is satellite,'" says the man who is already thinking of satellite systems carrying 1,000 channels of television and data by the end of the century.

Deals put electricity structure at risk



PERSONAL VIEW

First it was Scottish Power and Manx; next PowerGen and Midlands Electricity; and then National Power and Southern Electric. If Hanson, the new owner of Eastern Group, succeeded in its attempts to buy the 6,000MW of plant on offer from National Power and PowerGen, almost 60 per cent of electricity generation in England and Wales - including nearly all the supply used to set market prices - would be vertically integrated with distribution.

If all these deals were to go ahead, the effect would be to undermine the most distinctive and innovative features of electricity privatisation: the separation of the generation of electricity from its distribution, and the attempt to create a competitive wholesale market for power - the pool.

This transparent market has had a dramatic effect on leading generators - all have more than doubled their output per person employed in the five years since privatisation.

By contrast, the regional electricity companies and the National Grid have made far less impressive efficiency improvements.

Close regulatory oversight of both the generating and distribution arms of the new integrated companies would be required, and new and complex licence conditions would be needed. Far from reducing the burden of regulation, vertical integration would increase its complexity and make it more subject to challenge, mistrust and dispute.

If all the current mergers were approved, the number of independent generators would be halved and the information contained in the share prices and accounts of the acquired companies would be lost.

Proponents of vertical integration argue that the deals would bring efficiency gains and that UK companies need expertise in both generation and distribution if they are to succeed in overseas markets. None of these arguments is sufficient to outweigh the risks and costs of undermining the split between generation and distribution, however.

Once integration had been achieved, it would be too difficult to

unscramble the egg. We would be stuck with the same unsatisfactory and inflexible structure that impedes reform in Germany and the US.

The proposed deals would reduce competition because - with most customers continuing to buy electricity from their local regional electricity company after liberalisation in 1998 - they would leave intact

There is a serious risk that vertical integration would weaken the pool

grated generators in effect with a captive market for part of their output. They might be tempted to charge their own rates higher prices than distribution companies with no generation interests. The extra costs could simply be passed on to electricity consumers.

Of course, licence conditions might prevent generators from agreeing contracts with their own

regional companies. But in this case the captive recs would buy their electricity from one of the other two integrated companies. Such a situation is hardly likely to result in satisfactory competition and would leave room for collusion.

The biggest consumers, which would be the most likely to pick and choose between competing recs, would also suffer simply because there would be fewer suppliers.

Moreover, the integrated companies would have an edge over the remaining recs because they would have market information about their local supply base as well as inside information about their bidding strategy in the pool. This would give them an advantage in predicting pool prices.

This edge might enable them to be more aggressive in signing up customers, as they do not need first to agree contracts with the generators for additional supplies. This would help the integrated companies to increase market share.

There is also a serious risk that vertical integration would weaken the pool. This is because the integrated companies would have an

assured market for more of their output, giving them less surplus electricity to sell wholesale.

If less trade passed through the pool - and the market became more unpredictable and manipulable - traders would pull out. This would make it a less effective benchmark for long-term contracts.

The restructuring of the industry at privatisation was a remarkable success which is now at risk. Once it is reintegrated, it will be difficult to return to the model of competitive stand-alone generators, and the creative tension between the component parts of the industry will be replaced by a cosy cartel.

It would be political negligence of a high order to allow this to happen by default. The remedy is to refer all mergers to the Monopolies and Mergers Commission with a brief to examine the desired future structure of this vital industry.

David Newbery

The author is director of the Department of Applied Economics at Cambridge University

OBSERVER

Appealing for help

The first dispute the appeals body for the World Trade Organisation needs to settle is that of its own make-up - and quickly.

The United States and the European Union have been fighting for months, each wanting to inhabit two of the seven seats on the panel. While the US has apparently backed down, Brussels is still hanging on about representing 45 per cent of world trade.

But hang on. Leaving aside the small matter that the appeal judges were supposed to be appointed on individual merit, the 45 per cent figure takes in intra-EU trade. If the EU is indeed a single market (which is why Brussels speaks for the 15 member states in the WTO) internal trade should not be counted any more than trade between the 50 American states.

Talking external trade alone, the EU clocks up 20 per cent, as against 15 per cent for the US and 12 per cent for Japan. That actually makes the provisional list put forward by WTO ambassador Don Kenyon of Australia and his committee look pretty balanced: it reportedly comprises judges from the US, New Zealand, Germany, Egypt, the Philippines, Uruguay and Japan. Meanwhile, the EU is reduced to getting chummy with the Swiss, it seems, and is pushing for New Zealand's Christopher Bebb to be

replaced by the sole non-EU European nomination, Thomas Cottier of Switzerland.

Sure thing

Just when Axa, the French insurance group, is a penchant for sending senior managers to bonding sessions in exotic locations, looked to be running short of an encore, inspiration strikes. It has already put employees on the Orient-Express, into tents in the north African desert, and on top of the Great Wall of China. Each destination was supposed to make symbolic points about future business challenges. So what next?

Word has it that the next session will be held in California. A rather less exotic location, you might say. But a lawyer's office perched somewhere along the San Andreas fault would presumably make the point quite nicely.

Home and away

Sir Leon Brittan, the EU's suave and gimlet-brained trade commissioner, has been called many things in his time. But never a professional Yorkshireman. So why is he hosting a two-day "Quad" meeting with the US, Japanese and Canadian trade ministers later this month in a Yorkshire castle rather than a Belgian chateau? Brittan will hold court at Harrogate's Ripley Castle, now a

conference centre, and dinner will be served at Castle Howard, the sumptuous pile featured in the TV version of Evelyn Waugh's novel, *Brideshead Revisited*. These sorts of meetings are usually held on the host's home turf. The last was in British Columbia, birthplace of Roy MacLaren, Canada's trade minister. Given that Brittan is a Londoner who works in Brussels, Harrogate can hardly be described as his home town.

True, he used to be MP for Richmond in the Vale of York and still has a house there. Word is that he spends as much time as possible hobnobbing with the county set in his old constituency. Were it not for the fact that Richmond is now represented by William Hague, the excellent young Welsh secretary, it might be thought that Brittan is interested in keeping his old seat warm just in case he wants to launch a parliamentary comeback.

Balkanisation

The merging of cultures in Finland's two biggest banks, Kansallis-Osake-Pankki (KOP) and Union Bank of Finland (UBF), seems to be proving every bit as troublesome as the experts predicted. Supposedly setting aside decades of rivalry, the two agreed earlier this year to join forces to form Merita Bank. It is now crunch time, and a third of the 18,000 jobs are set to go.

Initially, the two sides referred to

each other as KOPs and SYPs - SYP being the Finnish version of UBF. This was shortened to Ks and Ss. And then lengthened - to Kroats and Serbs.

Wigwams for geese

An Australian business acquaintance set out to find the essential difference between Japanese and Chinese business techniques. With both a Japanese and a Chinese working for him already, he gave them a test. He first asked the Japanese to obtain some "wigwams for geese" (bridles). The Japanese had no idea what this nonsense meant but he studied his dictionary and, reluctant to lose face, informed the boss: "There are only two factories which produce wigwams for geese: one went bankrupt last month, and the other burnt down last week. Very sorry."

The Chinese assistant approached the same task with gusto, immediately saying her brother had Asia's biggest wigwams' geese' (bridles) factory. She even eventually persuaded her employer to place a sizeable order.

But, canny old thing, he asked if her brother could send a sample, before he confirmed the order. She replied: "Oh, Chinese wigwams for geese' (bridles) very different from Australian model. First you give me sample of Australian model, so we may adjust ours to suit your requirements."

Financial Times

50 years ago

Strike wave in US
New York: The wave of labour unrest which has swept across the United States since the whole war ended has reached a new height that threatens to engulf the reconversion programme. It is almost surely bringing a higher price level, which means further inflation and sharply reduces the country's opportunities as an exporting nation.

The Navy is today taking over the strike-bound plants of 26 oil-producing and refining companies on the overnight orders of President Truman, acting on his wartime powers. Some 55,000 oil workers struck a fortnight ago. But the administration is not thinking of seizing the 350 coalmines closed by the strike of 115,000 miners, said the Secretary of Labour, Mr Lewis Schwellenbach.

There are 60,000 New York longshoremen on strike and holding up the great port of New York, although union leaders have urged them to return to work on Monday. The walk-out by some 30,000 telephone operators may affect radio hook-ups. There are also 60,000 men out in the lumber trade, 105,000 in the motor industry and 13,000 in the steel trade.

THE FT INTERVIEW: Manmohan Singh



Mr Manmohan Singh, India's finance minister, will deliver a quiet message to his counterparts at the annual International Monetary Fund/World Bank meeting in Washington next week. Countries such as his which are undertaking fragile economic reforms, he will say, need a new kind of international insurance policy because they are particularly vulnerable to external shocks, including droughts and sudden oil price rises. "Someday the world has to sit up," he said on the eve of departing for Washington. "We have seen star performers suddenly get into difficulty - we saw what happened in Mexico."

Although he says he has no ready-made solutions, he argues that countries which are "not neighbours of the United States" - and which therefore cannot rely on the kind of US-backed rescue offered to Mexico - needed more than the currently available IMF and World Bank support. "If they run into difficulties, there should be a credible international safety net to protect the integrity of their development programmes."

Mr Singh's views carry weight because he is the chief architect of four years of economic reform which have turned India into something of a star performer itself.

No finance minister since independence has done more to integrate India into the world economy and liberate it from the dirigiste economic policies which were the legacy of Nehru and the Gandhis.

But there is some poignancy to his views, given that this could be Mr Singh's last appearance at an IMF/World Bank gathering as finance minister. Unless Indian voters have a change of heart, Mr Singh's Congress party seems unlikely to be returned to power in next year's elections.

Mr Singh is aware his tenure may be limited; his tone this week was almost valedictory. "What we have done is more than I had expected or intended," he says. "Of the reform agenda which I had promised in 1991, I think 75 per cent to 80 per cent [of it] we have been able to complete."

Mr Singh's agenda, first outlined in his inaugural 1991 budget, was electrifying at the time. India was in the grip of a fiscal crisis, suffering

Architect of India's reform



Finance minister Singh: 'We have done more than I expected'

double-digit inflation and close to defaulting on its external debt. Mr P V Narasimha Rao, the prime minister, plucked the Oxford-educated Sikh from the backwaters of the University Grants Commission and empowered him to undertake radical - and painful - reforms. "I said to our people publicly that India was in such great trouble that for the next three years we should expect blood, sweat and tears," says Mr Singh.

India had no choice, he says, but to dismantle four decades of central economic control: to control the fiscal deficit, cut and rationalise corporate and personal taxes, and industrial licensing, welcome foreign investment, liberalise import rules and cut duties, encourage exports and deregulate India's archaic capital markets. Mr Singh pursued this agenda in five subsequent budgets.

The fiscal deficit has fallen from 8.5 per cent of gross domestic product to 6.7 per cent last year, inflation is down to 8.5 per cent, maximum

import duties have been slashed from more than 200 per cent to 50 per cent. Taxes have been cut, the tax base broadened and tax revenues are buoyant. Exports have been rising at an annual rate of 29 per cent. And while imports - notably of capital goods - are also rising, Mr Singh says doomsayers who predicted the de-industrialisation of India have been wrongfooted. Annual industrial growth is running at 10 per cent and overall economic growth at more than 5.5 per cent.

But the greatest achievement, he says, had been to transform "the way Indians think about their economic problems" and unlock "the latent creativity of India's entrepreneurs". There is now consensus behind the reforms, he says. State governments, whether leftist or Hindu nationalist, are "all saying the same things". Thus, he says, "structural reforms like the reduced role of the public sector, opening up of the Indian economy, increased welcome

for foreign investment - these are reforms which I think are secure". But Mr Singh is sufficiently candid to admit failures. Progress in cutting the fiscal deficit, the subject of World Bank and IMF concern, is "not as good as I had intended". Deeper cuts, he says, had been impeded by the simultaneous cuts in tax rates and import duties. The stock of public debt - now 87 per cent of GDP - holds stubbornly at 1991 levels. This could not be eroded, he says, because the sweeping privatisation he believes necessary to reducing this debt was deemed politically unsustainable. Bolder "would have aroused the opposition of the organised working class, which could have derailed the whole reform programme".

India's vibrant democracy has perhaps been Mr Singh's greatest constraint. But he admits surprise that his reforms provoked relatively little social protest and adds: "There is perhaps no other instance where such far-reaching structural changes have been made in the context of a well-functioning democracy."

Even if India's electorate turns out the Congress party in polls due next spring, he says he is content that India, under any government, is now irrevocably committed to deregulation of the economy.

He dismisses as political posturing the recent calls by Hindu nationalists for "swadeshi", or self-reliance, and the Maharashtra state government's decision to scrap a \$2.8bn (£1.77bn) power project being carried out by Enron of the US. Mr Singh claims that his programme is economic nationalism "properly understood". He says: "India's economic destiny is safe only when India knows how to stand on its own feet, to compete against everyone else in the world on an equal footing. That is what we are trying to do. I've been wanting India to be self-reliant in that sense of the term."

This would be a precious legacy. It is therefore not surprising that Mr Singh will urge his peers in Washington that they should find means within the international community to safeguard his - and other reforming countries' - hard-won efforts.

Mark Nicholson

Philip Stephens

A change in the weather



Tony Blair parades his party as the government-in-waiting. The Conservatives prepare to transform themselves into Her Majesty's opposition. Thus the battlelines for the next general election are being drawn. There will be plenty of occasions between now and then for caveats and qualifications. And, yes, party conferences are a distorting prism, a looking-glass world into which the voters peer with healthy scepticism. But let us be clear. Mr Blair has had a brilliant week. Margaret Thatcher was right when she described him as the most formidable Labour leader since Hugh Gaitskell. Mr Blair is changing the political weather.

The past four elections were fought and lost on ground staked out by the Conservatives. Mr Blair has torn down the fences to claim his own territory. And you will not ruffle him by accusing him of standing elbow-to-elbow with One Nation Tories or middle-American evangelists.

Without the slightest blush, he wraps his party in the union flag, recasts it as the ally of the family, promises to put more policemen on the beat. He strikes deals with British Telecom and the British Telecommunications to build the information superhighway - and then exults in the support of that Thatcherite ally, Norman Tebbit.

His reach extends further. He borrows Australia's hard-edged welfarism from Paul Keating (never, ever fight an election on a promise to raise taxes). Mr Keating told him when they met back in July. I won't Mr Blair replied. From Newt Gingrich comes the technological futurism of the information age. Nor is God off-limits. Urged by Neil Kinnock to let his personal Christianity break through the studied seriousness of his speeches, Mr Blair now treats the podium as pulpit.

It works. His single-mindedness is infecting his party and beginning to shape opinion well beyond its boundaries. It is not just that the party's delegates will admit for the

first time in living memory that a Labour government could not give away Britain's nuclear deterrent. Associated Newspapers, which counts most prominently among its titles the Daily Mail, now says it might back Mr Blair on polling day. I cannot believe that any newspaper which has drunk so deeply at the fountain of Thatcherism could go that far. But the public admission of its uncertainty tells us just how much the climate has changed.

There is no need to pretend that the delegates in Brighton enjoyed being told that low inflation takes precedence over public-sector pay, that the voters will not stand for the abolition of grant-maintained schools that the burden of pensions provision must be shared between the public and private sectors. Roy Hattersley's denunciation of Mr Blair's education policy was well applauded before it was rejected.

Nor does the public projection of a wholly united shadow cabinet withstand the scrutiny of a claustrophobic week at the seaside. Mr Blair has secured the loyalty of each of his principal lieutenants. Deep rivalries lurk below. The relationship between Gordon Brown and Robin Cook is visibly tense. The best gloss offered by one colleague was that shadow chancellor and foreign secretary talk to each other with appropriate civility. Mr Brown and John Prescott are equally unlikely to be found sharing a late-evening whisky.

Elsewhere it is obvious that many have still to grasp fully the scale of Mr Blair's ambition or the determination with which he will pursue it. Among the old guard, New Labour is a rhetorical device, a price worth paying to win. Young Britain is a slogan which they will mouth for the cameras while privately seething at the influence of Mr Blair's imagemakers. They have yet to realise that the leader means it.

Sometimes you cannot fail to

suspect that Mr Blair sees the relationship with his party as that between classroom teacher and children. Having taught his supporters how to applaud him, he intends to change the way they think. He knows the party is aching for power. So he will clamp the lid over more firmly on internal tensions and rivalries. The leader, a close colleague offered this week, is a "ruthless bastard". It was a serious compliment.

Like his Tory soulmate Kenneth Clarke, the Labour leader is wedded to the politics of momentum. The marriage between education and technology is the first of a series of flagship policies. By next summer we should see the shape of his approach to the welfare state. It will be grounded in the principle that opportunities demand obligations.

Here Mr Blair is attempting to turn conventional wisdom on its head. His message is that only the guardian of the welfare state can be robust in its reform. The word is still taboo, but Labour is already tip-toeing towards warfare.

He knows also that an economic policy which simply signs up to Tory orthodoxy is not enough. It is all very well for New Labour to declare that it will be as tough on inflation, as prudent about borrowing, as scrupulous about efficiency. But a credible alternative to the government's strategy requires deeper analysis. Every government since the war has promised to raise the economy's productive potential. Each one has failed. Mr Blair will not find it easy to persuade the electorate he has discovered the elusive secret.

Public-private partnerships are one pillar. But elsewhere Mr Blair's advisers have discovered it is easier to promise new incentives for investment than to find schemes which will work. It is equally difficult to talk about comprehensive training without promising to spend other people's money - the taxpayers' or industry's. As

for income tax, it is all very well promising not to increase it, but would Labour ever cut it? Mr Blair should be as keen as any Conservative to take the poor out of tax. It is possible he will say so before the election, but not yet certain.

Those expecting detailed blueprints will anyway be disappointed. Demand from Mr Blair a raft of specific policies and he will reply he does not intend to repeat Bill Clinton's biggest mistake. Sure Mr Clinton won, but on how many of his promises has he delivered? How strong are his chances of re-election? In Mr Blair's mind direction counts, details are needlessly dangerous.

Which takes us to the Tories. Ministers have been told to produce a stream of policy initiatives when the party gathers in Blackpool next week. Most importantly, and for all his instinctive caution, Mr Clarke will harden the promise of pre-election income tax cuts. This, along with Europe, is a game with Labour that the government must open up.

But the serious strategists in the Tory party see no profit in fighting the election on the government's record or on a platform strewn with 10-point plans for the millennium. Mr Blair promises change. To beat him, John Major must make change appear more frightening than it is attractive. It will be the balance between the demand for change and the fear of it which decides the outcome on polling day.

So the Conservatives will cast themselves not as the party of government but as the opposition, the bulwark against a Labour administration wedded to big government and destined to raise taxes.

You can see the campaign now. Look behind Mr Blair, at his colleagues' spending plans, at the trade unions' pay demands, at the producer interests who will regain control of public services. Then there is Europe, where Mr Major will offer a choice between confrontation and capitulation.

There is little purpose now in predicting the result. But we have learnt something this week. Mr Blair knows that the next election is his party's best and last opportunity to govern. It will take something extraordinary to stop him seizing it.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "fme"). Translation may be available for letters written in the main international languages.

No reassurance in Hong Kong

From Ms Emily Lau.

Sir, Your report "China and UK mend Hong Kong fences" (October 4) has given the false impression that constructive steps are being taken to ensure a smooth transition to Chinese communist rule on July 1 1997. The fact that Britain's foreign secretary, Malcolm Rifkind, met Chinese foreign minister Qian Qichen in London on October 3 has done little to reassure the 6m people of Hong Kong that their wishes would be respected when Beijing finalises plans for the takeover.

The main feature of the latest Sino-British accord is the establishment of a liaison office to channel contacts

between the colonial administration and China's preparatory committee, a body with the task of setting up the Hong Kong special administrative region government. The accord makes no reference to any role for the legislative council elected on September 17 could play in this process.

Adding insult to injury, China insists on disbanding the elected legislative council on July 1 1997 and replacing it, most probably, with a nominated body.

Britain appears to have accepted that it is powerless to dissuade the Chinese from taking such damaging and misguided action and chooses to concentrate on trade and

ceremony for the handover.

With 635 days to go before the takeover, many Hong Kong people look to the future with anguish and foreboding. Their demands are modest and reasonable: they want to be governed by a democratically elected administration, they want the rule of law preserved and their freedoms and human rights respected, and they want to be able to get out of the colony if things go wrong. The Rifkind-Qian meeting offered them no such assurances.

Emily Lau, legislative councillor, New Territories East, 8 Jackson Road, Hong Kong

There will be a tax cut in US

From Mr Peter Rogers.

Sir, I found Jurek Martin's report "Dole and Gingrich differ over tax cuts", October 3 just a rehash of Democratic rhetoric. There will be a tax cut. Unlike Bush and Clinton before them, the present Republicans, especially in the House, cannot and will not break a commitment on taxes. They believe in the novel concept that US taxpayers know how to dispose of their own money better and more effectively than politicians and bureaucrats. Gracious, could such an idea catch on in Europe, nah!

The real issue on Medicare/Medicaid is the very survival of these programmes. The annual report of the Medicare trustees in April of this year said the fund would be out of money within seven years unless urgent action was taken. As trustees, Clinton administration members Robert Rubin, Robert Reich and Donna Shalala all signed this document.

The Republicans are taking action and their proposal does not cut anything. "This year we will spend \$4,800 per senior citizen on Medicare. At the end of our seven-year plan, we will spend \$6,700 per senior citizen on Medicare." So said Newt Gingrich. By my calculations almost a 4.9 per cent compound growth rate - unless a Democrat when this size increase becomes a "cut".

In September 1993 President Clinton was quoted in Newsweek as follows: "It is a logical, with inflation at 3.5 per cent, the growth of Medicare and Medicaid between 1 and 1.5 per cent, to have those programs going up between 12 and 16 per cent a year." He was proposing a reduction in the rate of increase and planning to use the savings for health care reform. Presumably the use of which the funds are used is key because, at the time I don't remember any media outcry about "cuts" at the expense of the old and poor.

Peter Rogers, Sutton Lodge, Sutton Road, Cookham, Berkshire SL6 9RD, UK

Japanese decision cuts against EU trend

From Mr Marco Bronckers.

Sir, Professor Hiroshi Oda and Mr Lloyd Evans have rightly called attention to the ruling of the Tokyo High Court of 23 March 1995 regarding the Japanese arm of BBS, the German vehicle parts maker, in which the court allowed parallel imports of patented products and thereby accepted the international exhaustion of patent rights ("New lines of trade", October 4). They state that this ruling should not surprise European lawyers and businesses because of their experience with the free movement of goods principle within the European Union.

However, the BBS ruling is

quite surprising from a European law perspective. The European Court has been in favour of parallel imports within the European Union, but has allowed member states to block parallel imports from third countries. Furthermore, the EC Commission has abandoned earlier proposals to adopt international exhaustion of intellectual property rights in new legislation, notably in the trademark area. Intellectual property owners generally enjoy more protection now. In other words, the Japanese court decision cuts against the trend in European law.

The exhaustion of intellectual property right was the one

fundamental issue on which the trade related intellectual property rights (TRIPS) negotiators could not agree. The developed world was generally thought to be in favour of a narrow exhaustion principle; the developing countries in favour of international exhaustion. The Japanese court decision, if upheld on appeal, may create fissures in the common front of the developed world in further World Trade Organisation negotiations on intellectual property protection.

Marco Bronckers, partner, Trenité Van Doorne, Avenue Louise, 149, 1050 Brussels, Belgium

The ninth

From Mr Jonathan Hoffman.

Sir, Your editorial "Go-ahead Czechs" (September 29) cites the Czech koruna as the first currency of the east European transition economies to meet the International Monetary Fund's standards of convertibility.

In fact it is the ninth. All the three Baltic countries accepted the obligations of the IMF's article VIII in 1994 and this year they were followed by Croatia, the Kyrgyz Republic, Moldova, Poland and Slovenia. Jonathan Hoffman, director-economics, CS First Boston, One Cabot Square, London E14 4QJ, UK

A better form of meeting

From Mr E.G. Libby.

Sir, It was a pleasure to see a Lex piece again written by James Joll (October 2). His comment as ever contained things that needed saying and discussion of the conduct of company meetings is a subject that is sadly neglected. If the forum he talks about is to be achieved, some action is needed to prevent private investors rights being further eroded. There is an increasing requirement for investors to have their stock held in nominee names, mainly in the interests of settlement. This means that unless special arrangements are made, the share-

holder, even if admitted to an AGM, is unable to vote or speak. Many shareholders want to attend meetings on the spur of the moment and certainly not all company secretaries are clear as to the procedures to be followed. A solution would be for registrars and nominees together to create a document issued as of right to all beneficial shareholders to establish their identity. The cases quoted by Joll from the past were assisted by the vociferous help of private investors.

E.G. Libby, 23 Suffolk Street, London SW1Y 4HG, UK

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Moses, almost entirely a spoken role, is the American *Heldenbariton* David Pittman-Jennings, and Aron is his tenor compatriot Chris Merritt: both of them strong and dignified, Merritt with an extra touch of preening mischief in Act 2, and both of them reveling in lucid German diction. Though Schoenberg's "12-note" score is harmonically dense, Boulez renders it almost transparent, lean and forceful without Expressionist bumps. This *Moses und Aron* sets a standard for a long time to come.

icia Kathleen Boyer's
ced, perplexed Don is
atic to the point of
ability, suggesting dis-
tinction, but not much else.
may be intended to be
a figure onto whom
project their fantasies
ression or the spirit of



Sarah Hemming
 times to October 21 at the
 e Theatre, London W11
 1-229 5387).

The Redress of Poetry (Faber).
That Donald Davie, himself a great critic, writing on this book in the current *Poetry Review*, praises Heaney's exemplary public stance: "He has consistently refused, in the face of tempting offers, to be either outlandish or partisan. This means that when, every few years, he puts into print a book of addresses and lectures, the book is always important: for it represents a considered statement by the acknowledged authority on where poetry has got to."

Davie also comments on the great change that has come over Heaney's work in the last 10 years or so: "a change . . . from Caliban to Ariel, from a poetry that is of the sea to a poetry that is of the land . . . to a poetry more rarefied and for many readers more elusive". This

Corporate entertainment remains the driving force behind many sponsorships, but there is no reason why it should turn into a junket for the black ties. Guests are often happier if they can be introduced to new, preferably young, talent. That is the starting point for Akzo Nobel, which last month hosted an evening at the Birmingham Symphony Hall which featured two young prize winning soloists, Yajoi Toda, the Japanese violinist who won the Queen Elisabeth International competition in Belgium, and Ricardo Castro, the Brazilian who took the Harvey Leeds piano prize.

"Akzo Nobel for Young Talent" signed up the two soloists and a young pianist, and for them, over three years throughout the world, providing a boost for their careers at a vital time and enabling the

Peter Forbes is Editor of 'Poetry Review'

★

Finding sponsors for Africa 95, the celebration of African arts currently sweeping the UK, was not easy. In the event, with generous support from foundations, £2.7m has been raised, half the cost of the festival, with Blue Circle, BA, Barclays Bank, and Morgan Grenfell leading the corporate contributors.

The main event is the mammoth show of African art which opened this week at the Royal Academy (reviewed in tomorrow's Weekend FT). The RA's sponsorship department laboured long and hard trying to raise funding for what, at a cost of over £1m, is one of the most expensive exhibitions it has ever mounted. In the event just over £400,000 was accumulated, with Anglo American, Anglo Siam, Anglo Japanese, Beiers and Minorco, finding most of the money. The RA now needs big audiences.

Standing Problems of virtue and Happiness. By Tony Kushner and directed by Dan DeRasy. A surrealistic montage of post-Soviet culture; 8pm; to Oct 8

MANAGEMENT

JOHN KAY

A warning for the media gamblers



AT&T is to be divided into three parts - equipment, global information systems and telecommunications. The company's equipment manufacturing activities date back to the era when it virtually dominated US telecommunications.

AT&T's involvement in computers is more recent. The firm perceived (rightly) that the boundaries between data processing and data transmission were becoming blurred, and concluded (wrongly) that it should therefore blur them in managing its own business.

With the split-up, AT&T has recognised two general lessons. Convergence of technology need not imply convergence of companies. And vertical integration which makes sense for a monopoly often loses its rationale when markets become competitive.

Those behind the current wave of media mergers would do well to learn these lessons, as they talk of nothing but integration and convergence. The merger of Disney and ABC/Capital Cities is hailed as the deal of the decade. Westinghouse has just bought CBS. And Time-Warner has followed the pack with its acquisition of Ted Turner's media empire.

Peaches and cream may go well together but that is not a reason why dairy farmers should grow peaches. Solicitors need pink tape but that doesn't mean that law firms have to acquire ribbon manufacturers. It is hard to believe that industries could be restructured on the basis of arguments as superficial as these. Yet this is happening in the world's media business, and its well-paid executives are hailed as business titans for perceiving these connections between products.

Now there can be good arguments for convergence and integration. Perhaps there are cost savings from combined production - feeding the cows with peaches might give you the joint product more cheaply than mixing them in the bowl. Perhaps the skills of the peach grower are readily applicable to dairy farming. And if the ability to make pink tape is a rare

skill, then taking control of its producers may enable you to hold your legal rivals to ransom. But without these factors - significant cost savings from integrated manufacture, common distinctive capabilities, or the opportunity to lever market power from one market into another - integration and convergence give no advantage, and limit your ability to seek the most effective suppliers, distributors and co-producers.

Michael Orvitz, heir-apparent to the new Disney kingdom, boasts that attaching a studio to a network gives Disney distribution of its product. But will Disney, with a repertoire that its competitors would kill for, encounter any difficulty obtaining distribution of its product? Must Kellogg buy Sainsbury's to get access to its shelves? It is easy enough to see how the

But all this misses the point. What was once scarce is now plentiful, and that means traditional broadcasters have lost their dominance and that no one else is ever likely to have it. Just as the invention of cheap printing meant no one could again control the dissemination of written information, so the arrival of cheap ways of transmitting data means no one can ever again control the dissemination of electronic information. Not broadcasters, not Disney, not Microsoft, not governments.

The future of these new media industries lies in the fragmented, competitive structure which, despite attempts to change it, remains the essence of the old media industries. The tripartite structure of talent, publishing and delivery comes about because the respective skills of creativity, mar-

Media industries: the tripartite structure

	Books	Music	Film	Electronic media
Talent	Authors	Composers/Musicians	Directors/Stars	Producers/Stars
Publisher	Publishers	Publishers/Distributors	Studios	Publishers
Delivery	Printers/Bookshops	Pressing factories/Concert halls/Record shops	Cinemas/Video shops	Too many to list

confusion comes. For 50 years, broadcasting was controlled by networks. The scarcity of bandwidth gave those who controlled it dominance, not just of the process of delivery, but also of publishing and the original talent. But now their network monopoly has gone. With satellites and cables, video shops and multimedia, there are more ways of distributing electronic media than anyone had imagined, and more to come.

So who controls the brave new world? A few years ago, the conventional wisdom was that control would lie with the owners of talent - hence the ruinously expensive acquisitions of studios by Sony and Matsushita. Then the focus switched to cable companies. Next the industry thought that telephone companies had the key to the future. Today, attention has switched back to networks.

Marketing and finance, and manufacture and distribution, are distinct, and mix badly; and are best exploited when individuals and firms are free to find the best outlets for their work unconstrained by ties of ownership. Far from being about to begin, the era of vertical integration has already gone.

There are golden commercial opportunities for those who see clearly the future of the new media industries. They will be most golden for those, such as Rupert Murdoch, who are adept at seizing transitory opportunities to gamble on new products. But the essence of that future is a competitive market.

The author is chairman of London Economics and visiting professor of economics at the London Business School.

Roger Matthews describes how the philosophy of 'ubuntu' is being applied to business

African dream

Africa in general, and South Africa in particular, needs a new philosophy of management to bind past wounds and create the basis for sustained human development and economic growth. The experience of the US, Europe and Asia is relevant, and can be adapted, but core African values are best suited for local conditions. Total quality management, total production management, and business process re-engineering may all have their place, but they do not tap the essence of African survival techniques. What Africans must do is explore and develop the spirit of 'ubuntu'.

This is the message of Lovemore Mbigi, executive director of Nampak management services, whose book, *'Ubuntu, the Spirit of African Transformation Management'* (co-authored by Jenny Maree) attempts to show how community experiences can be adapted to the modern workplace.

If South African companies are to be competitive in global markets they have to learn to harness the collective will, intelligence and energy of their people by creating enterprising communities through the canonisation of 'ubuntu', he says. 'They have to select the best business practices and then create team practices that are in harmony with the values of ubuntu.'

Put simply, ubuntu means encouraging individuals to express themselves through the group. According to Mbigi it is the foundation of much African society and appears most obviously in adversity. It showed itself through the rent strikes and other community actions taken in South Africa during the struggle against apartheid. It reveals itself in the caucuses and search for consensus among the African National Congress and the black trades unions.

'Often it is not a conscious, but an implicit practice, as relevant to Brixton and Harlem as it is to Soweto. It includes great pressure to conform, or be ostracised. The challenge is to harness that collective

solidarity and to use it to raise up disadvantaged societies, whether they are in deprived inner cities or the workplace,' says Mbigi. 'We hear much now in South Africa about the demands and rights coming from democracy, but what is lacking is the sense of obligation and duty that is also inherent in the process.'

However, the idea that there might be a peculiarly African answer to South Africa's management challenges has not drawn an enthusiastic response from other, mainly white, consultants. They accuse Mbigi of romanticising urban poverty into an example of the collective spirit of ubuntu, and claim that if his ideas gained acceptance it would imply that white managers could not operate without a black consultant. If South Africa is to compete globally it must use and adapt established practices, they argue.

The problems of defining ubuntu in a management context are recognised by Velaphi Ratshefola, a Soweto-born labour lawyer, who for the past year has been production manager in Europak's packaging factory midway between Johannesburg and Pretoria. 'As labour lawyers our job was to dominate the unions. Now that has all changed and we want to try new things. Which is why we are now employing elements of ubuntu. A lot of what we are trying to do here started in the classroom,' he says.

Ratshefola inherited production lines that were losing money and a workforce riven by racial and political conflicts, strikes and low productivity. Jobs were mostly defined by colour and gender. In the past year much of that has changed. Workers meet regularly with management along the lines of the workplace forums which will become widespread under new labour relations legislation.

Another of Ratshefola's early initiatives was to announce that management would not fire any workers. Instead, the workers would, if necessary, dismiss themselves.



Lovemore Mbigi: Ubuntu is 'as relevant to Brixton and Harlem as it is to Soweto'

After a first offence, such as absenteeism or drinking alcohol on the premises, the culprit appears before the production line team. The apology, if accepted by the team, has to be accompanied by the culprit's forecast of the appropriate punishment for a further misdemeanour. As that is invariably dismissal, the die is cast. 'So I have not had to sack anyone,' said Ratshefola. 'Although I do have to go through the correct legal procedures, it is always with the prior agreement of the team.'

A similar process is used for taking on staff, and for the appointment of team leaders. Applicants, arriving in their best suit and expecting to be interviewed by the production manager, instead find themselves confronted by a dozen people in work clothes. Ratshefola says he accepts their verdict, but admits to being discomfited by being out-voted on his preference for a team leader.

'When it comes to promotions, the jobs are advertised in the usual way. I try not to stress the need for academic qualifications, because that tends to work against people who may be leaders in their own societies. People are encouraged to say what they can bring to the job, and there is a certain amount of lobbying, as in politics. I am part of

that, and sometimes lose,' says Ratshefola.

But, says Ratshefola, this is all part of encouraging expression within the workplace, which includes prayers before work, 'with everyone praying to whatever ancestor or god they wish', and communal singing. If that all appears like a gimmick, the results are beginning to show. Nampak, the parent company, had considered shutting the Europak plant, but losses have now been eliminated. A new shift structure, including week-ends, has been introduced, overtime eliminated, and productivity is rising.

'Neither black, white or coloured, women or men, would have believed a year ago that they would be working like this,' says Ratshefola. 'We still have a lot to do to get things right. But at least people can now see that it is possible to change, and by so doing protect their jobs. If this works out, what we have achieved here could become standard practice throughout the group.'

Whether this is ubuntu in practice, or an amalgam of international practice, may be a matter of debate, but in the South African context Mbigi and Ratshefola believe they are tapping human resources that will serve their country.

CONTRACTS & TENDERS

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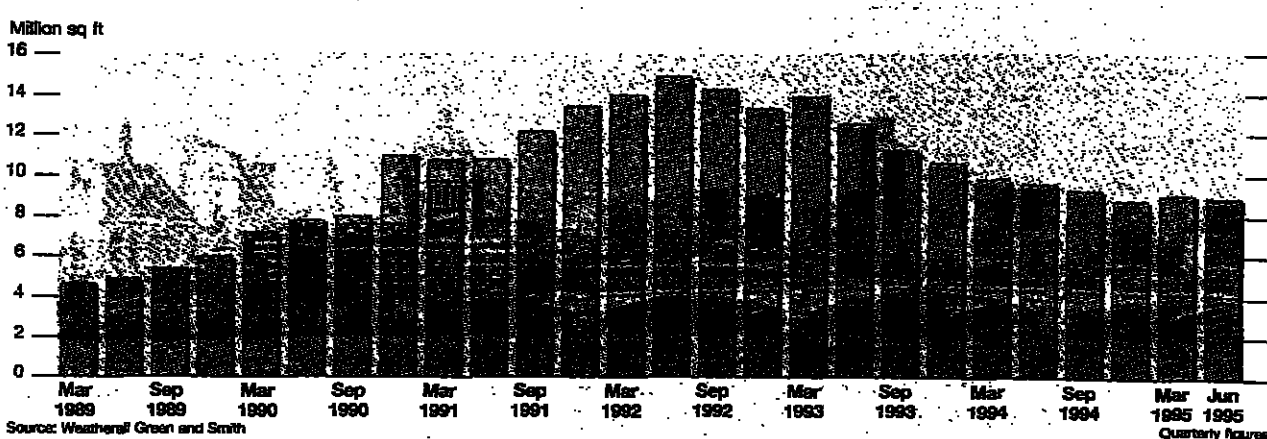
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THE PROPERTY MARKET

City of London vacant office space



Cranes may follow Canary

Simon London on the purchase's effect on the City of London

All sides are trying to play down the implications of the acquisition of Canary Wharf, the large office development in London's docklands, by a consortium led by Mr Paul Reichmann, the Canadian who masterminded its development in the late 1980s.

Mr Reichmann's consortium, known as the International Property Corporation (IPC), says that it has no immediate plans to add to the 4.5m sq ft of office space at Canary Wharf.

The Corporation of London, the local authority for the City, argues that the Square Mile will successfully defend its position as London's financial services hub. Canary Wharf's management, led by Sir Peter Levene, the prime minister's efficiency adviser, says it is business as usual.

The reality is rather less prosaic. If the £200m (£1,265m) deal is completed in December, as planned, Canary Wharf will be in the hands of long-term property investors rather than a disparate group of banks.

Although the IPC investors have no definite plans to build additional phases, Mr Reichmann is known to be keen to establish Canary Wharf as London's third business centre on an equal footing with the City and West End.

The investors gathered around him, including Prince al-Waleed bin Talal bin Abdulaziz of Saudi Arabia and Mr Michael Price, the US fund manager - have more than enough financial muscle to fund further phases when they believe the time is right.

It is not clear that all of them would join moves to expand Canary Wharf. Mr Reichmann is a property developer by instinct. Prince al-Waleed, for one, is likely to be more circumspect.

But there is nothing to stop Reichmann International from raising construction finance from elsewhere if the other IPC investors are not prepared to build. The change of ownership almost certainly brings forward the day when construction cranes again grace the docklands skyline.

And whatever it says in public, the Corporation of London will have to work harder to maintain the City's position as London's undisputed financial services hub.

The Corporation is already responding having been stung into action eight months ago by the decision of Barclays de Zoete Wedd, the UK investment bank, to decamp from the City to Canary Wharf.

The Corporation is pursuing a two-track strategy. First, it has stepped up its courtship of big banks and companies known to be looking for very big modern buildings.

The Corporation's economic development unit has identified about 100 organisations which will be looking for office space in the City within the next two years. These include investment banks such as ABN Amro and Westdeutsche Landesbank and Life, the futures and options exchange.

Recent City takeovers are also likely to stimulate demand for very large new buildings as

investment banks look to consolidate staff on a single site. Merrill Lynch is looking for a very large building following its acquisition of Smith New Court. Swiss Bank Corporation and SBC Warburg may also want to consolidate.

All of these tenants enjoy what may prove to be a uniquely strong bargaining position as the City and Canary Wharf vie for their attention. For example, the Corporation is a substantial property owner, able to offer rare City freehold sites to important tenants.

The second part of the Corporation's strategy is trying to promote the development of new buildings suitable for financial services tenants.

The Corporation's latest schedule of development, published this week, shows that planning permission has been granted for about 14m sq ft of offices. Canary Wharf has planning permission for an additional 8m sq ft.

The worry is that too many City schemes, especially larger ones, are not financially viable at current rents or require a revised planning consent to make them viable.

One persistent complaint in the development community is that the Corporation and English Heritage, which acts as watchdog for England's built heritage, have prevented development within conservation areas, which cover 34 per cent of the City.

The facts do not entirely bear this out. In the five years

to 1994, about one-third of all new City office development took place in conservation areas. Since 1994, when new government planning guidelines were published, permission has been granted for 1,46m sq ft of new office space in conservation areas, including six schemes of more than 100,000 sq ft.

Even so, in response to developers' concerns, the Corporation has embarked on a review of conservation areas which will pinpoint sites suitable for redevelopment.

Whether these initiatives by the Corporation will be enough is a moot point.

The Corporation is aware of the problem. Its development schedule states: 'The Corporation continues to encourage the full range of mix of uses that the City needs to maintain and enhance its competitive position - including retail, education and, particularly on the City fringes, residential property.'

In the words of one prominent property developer: 'The City has become a financial services monoculture. The lesson from the natural world is that monocultures are fragile.'

Correction
Moscow

The chart with the property column of September 22 showed prime office availability in Moscow in millions of square metres. This should have read thousands.

مكتبة الأصيل



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NEWS: UK

'I'm not comfortable with the idea of voting on a bland statement'

Names wary of recovery terms

By Ralph Atkins, Insurance Correspondent

The Lloyd's of London insurance market said yesterday that its finances were stronger than expected and that delays in its radical recovery proposals would not stop the insurance market seeking members' approval for the plan next month.

Its attempts to restore confidence in the recovery plan were undermined, however, when loss-making Names expressed concern at being asked to support the recovery plan without being

told how much it would cost them.

Lloyd's confirmed that a report being sent to Names later this month would not include indicative individual financial statements. Names are individuals whose assets have traditionally supported the insurance market. A separate vote to approve a £450m (£697m) levy on those underwriting since 1993 has also been shelved, probably until early next year.

The recovery plan involves transferring billions of pounds of US asbestos and pollution liabilities into a new

reinsurance company, Equitas, and softening its cost with £2.8bn in debt-write offs and cash. The £2.8bn settlement is also intended to end litigation hindering debt collection by Lloyd's.

Mr David Rowland, chairman, refused to commit Lloyd's to including in this month's report figures on contributions to the plan from auditors, brokers or "stop-loss" underwriters which provided cover to Names against excessive losses.

Mr Damon de Lario, a Names' action group leader, said: "I'm not comfortable with

the idea of voting on a bland statement in which I don't know the detail. My concern is that abstentions would be damaging to the image of Lloyd's."

Further highlighting the tension involved in negotiating the plan, Mr Peter Middleton, Lloyd's chief executive, rebuffed suggestions from auditors that they had to be included in any deal with Names to stop Lloyd's litigation. Lloyd's is looking for a substantial contribution from auditors but Mr Middleton said a settlement was possible without them.

Many hurdles on path to recovery

By Ralph Atkins

Delay in Lloyd's of London's recovery plan was almost inevitable. Yesterday's timetable changes reflect the difficulties of rebuilding the 300-year-old market - and of keeping the support of thousands of embittered Names who have borne losses of more than £8bn in recent years.

The crucial question is, has the setback knocked the plan to secure Lloyd's future off course? By next spring Lloyd's hopes to have, in effect, divided itself in two. Outstanding liabilities (mainly from US asbestos and pollution claims) would be transferred to a £15bn reinsurance company, Equitas. That would leave a clean, and hopefully profitable, "new" Lloyd's.

Nevertheless considerable hurdles remain. They include: ● Winning a vote on the plan due in late November without having given full information to Names. Postponing the vote would damage policyholders' and investors' confidence.

● Resolving a dispute over whether personal stop-loss policies - insurance bought by Names supposedly to protect against large losses - will cover Equitas bills.

How the saga is meant to unfold

LLOYD'S
LLOYD'S OF LONDON

Dec Lloyd's to seek British government's authorisation for Equitas

Early 1996 Vote expected on levy to raise an estimated £450m from members underwriting at Lloyd's between 1993 and 1995

Spring Final bills to Names and distribution of settlement offer in return for agreement to cease litigation

Negotiations are continuing but could end in court. Even if resolved, calculating the impact of stop-loss policies is complex because many were underwritten within Lloyd's by other Names, creating a tangle of claims.

● Agreeing contributions to the settlement offer. "Errors and omissions" insurers, which covered Lloyd's agents being sued by Names against negligence awards, are playing tough but the plan assumes they contribute at least £800m (£1.24bn).

Auditors being sued by

Oct Names to be given report on recovery plan

Late Nov Lloyd's to seek support from membership in a vote

Dec Lloyd's to seek British government's authorisation for Equitas

Early 1996 Vote expected on levy to raise an estimated £450m from members underwriting at Lloyd's between 1993 and 1995

Spring Final bills to Names and distribution of settlement offer in return for agreement to cease litigation

Names are also making clear that they will be no pushover. Suggestions that they might contribute £200m were described this week by a senior partner at one firm as "laughable".

Insurance brokers are also being asked to contribute. But Mr Rowland was unable yesterday to say whether it would be clear before this month's progress report how much would come from brokers, auditors, or even errors and omission underwriters.

● Allocating the settlement fund. Representatives of loss-

Unions lose some consultation rights

By Robert Taylor, Employment Editor

Recognised trade unions will no longer have an automatic right to be consulted by employers over redundancies and business transfers in government regulations laid before parliament yesterday.

Employers will be able to decide for themselves how they consult as long as it is done with employee representatives. Many workers who do not belong to unions will gain the legal right of consultation by employers.

The regulations, which come into force on October 26, will bring UK law into line with the rest of the European Union. This follows a judgment in the European Court of Justice in June last year that said the UK was failing to implement directives on collective redundancies and acquired rights. The directives oblige companies to consult designated representatives of workers.

But the new regulations will apply only where an employer proposes to dismiss 20 or more employees at one establishment over a 90-day period. At

present UK law requires employers to consult where there are recognised unions.

The government believes 96 per cent of businesses will be able to avoid the new regulations as a result of the stipulation on the number of redundancies covered, and this will save companies £85m (£132m) a year by ensuring they do not have to spend money on consultation.

The regulations do not require an employer to create "standing arrangements" in the company for consultation. The government believes many employers will never, or infrequently, need to declare redundancies or be involved with a business transfer. Ad hoc arrangements are all that is required to comply with European law, it argues.

Mr Jonathan Evans, the competition and consumer affairs minister, said: "We believe it is right that an employer should have freedom of choice."

Mr John Monks, the Trades Union Congress general secretary, said he would urge the European Commission to take further action against the government.

Bank may cut rural pay rates

By John Gapper, Banking Editor

Lloyds Bank may attempt to pay less to members of its 59,000 staff who work in more desirable parts of the UK in order to reduce expenses, Sir Brian Pitman, Lloyds' chief executive, said yesterday.

If Lloyds - which has no connection with the insurance market - introduced local pay variations, it would be the first large bank to move away from national pay scales. While employers in other industries have brought in such variations, clearing banks have so far maintained national rates.

Sir Brian, addressing a conference in London organised by Merrill Lynch, the US investment bank, said Lloyds was "paying much too much money" to staff in parts of the country such as Devon where many people wanted to live.

"We shall have to move increasingly to paying in relation to where people work," Sir Brian said. It was not easy to get its staff to understand, but "people are beginning to accept it is a lot softer number working in some places". Lloyds

emphasised later that it had no current plans for local pay variations, but the idea was being discussed with employees. It said any variations would not involve regional pay scales.

Banks such as Lloyds have traditionally been leaders in setting pay policy for clerical staff. The retail banks were the first to introduce allowances for workers in the south-east during the 1980s.

Sir Brian said that Lloyds routinely had large numbers of applications for any jobs which it advertised internally in country areas including Devon. By contrast, it was harder to recruit staff in urban areas including Birmingham.

He said that Lloyds intended to keep reducing the number of staff working in branches. At the moment, there was an average of 18 people working in each branch but Lloyds planned to cut this to 15. He said Lloyds would like to cut costs by introducing electronic banking, but there was considerable resistance among customers to such delivery methods. Most people still wanted to talk to another human.

UK NEWS DIGEST

Irish party chief seeks apology for 1840s famine



The British government was urged to issue "an expression of regret" for the famine which started in Ireland 150 years ago. The call came in the lower House of the parliament of the Republic of Ireland from Mr Bertie Ahern, leader of the opposition Fianna Fáil party. The famine marked "the nadir of Anglo-Irish relations," he said in one of several statements made in the parliament to commemorate the start of the long tragedy in which more than 1m people died. "A certain unfavourable view of Ireland among economists, and a clique of very senior British officials with the support of government, cut off effective help at a vital moment with the consequences we all know," Mr Ahern said. The whole of Ireland was part of the UK until 1921.

"I hope that at some point the British government at the highest level will make a considered statement on the famine," Mr Ahern continued. It would be "part of addressing what the Downing Street declaration describes as the most urgent and important issue relating to peace and reconciliation - to overcome the legacy of history and to heal the divisions".

Judge attacks newspapers

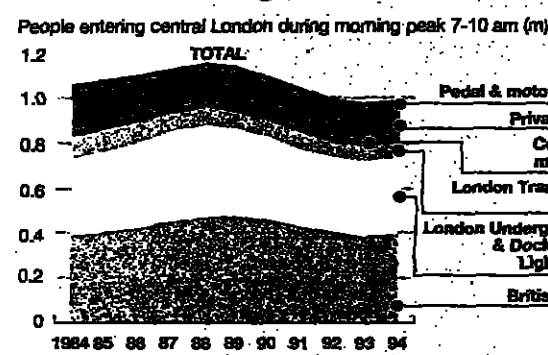
Sir Nicholas Lyell, the attorney-general, is considering bringing contempt of court proceedings against a number of national newspapers after the trial of the boyfriend of a star of the BBC television soap opera EastEnders. The prosecution of Mr Geoffrey Knights was abandoned because of what Judge Roger Sanders called "unfair, outrageous and oppressive" reporting. He said the coverage had made a fair trial impossible. Sir Nicholas said his office would examine the newspaper articles put before the judge, and invite explanations from the newspapers concerned, before deciding whether to refer the matter to the High Court. The newspapers concerned are The Sun and Today (part of Mr Rupert Murdoch's group); the Daily Mail (Associated Newspapers); the Daily Express and Daily Star (United Newspapers); the Daily Mirror, Sunday Mirror and The People (Mirror Group).

John Mason, Law Courts Correspondent
Editorial comment, Page 13

Travel in London increases

The recovery in employment levels in central London last year from 3.5m to 3.6m has led to a more crowded journey to work for the total of nearly 1m commuters who travel into the capital each day. The average number of people travelling into London during the morning rush hour rose in 1994 for the first

London's morning commuters



time since 1988, to 988,000, although it was still 15 per cent below the 1988 peak of 1.16m. A total of 83 per cent of London's commuters used public transport last year. Less than half of the London workforce travels to work by car compared with an average of two-thirds throughout Britain. The numbers of journeys made by bus and Underground rose by about 4 per cent last year.

Charles Batchelor, Transport Correspondent

Court rules against immigrants

Immigrants from European Union states who have no reasonable chance of finding work in the UK are not entitled to receive British benefits, a London court ruled. Westminster City Council was right to refuse housing benefits to two HIV-positive men last summer, the judge decided. He said that because the men, an Italian and a Spaniard, had no independent means and little realistic chance of finding work they were not entitled to a housing from a British authority even though they were legal residents. The ruling will bolster the government's attempts to curb "benefit tourists" who allegedly enter Britain to take advantage of welfare programmes.

Mark Szeeman, Social Affairs Correspondent

Big bang: Burglars destroyed a fireworks factory when welding equipment they were using to break into a storeroom triggered an explosion heard 10km away. Police think the burglars may have escaped. The Skyhigh Pyrotechnics factory 100km west of London was housed in a Second World War ammunition store. It was packed with fireworks ready for November 5, when Britons remember the 17th century "Gunpowder Plot" in which rebels disloyal to King James I tried to blow up the parliament buildings in London.

Labour party conference Chief industry minister demands evidence that there was no 'backroom deal'

Row erupts over 'agreement' on cable TV competition

By Raymond Snoddy, Kevin Brown, James Birt and George Parker

The Independent Television Commission warned yesterday that the opposition Labour party's plan to allow British Telecommunications to compete directly with cable on the information superhighway could cost the Treasury several hundred million pounds. The commission is the regulator of the commercial television network and the body which awards cable licences. BT is a former state utility.

New freedom was promised for BT

on Tuesday by Mr Tony Blair, the party leader, in return for connecting schools, libraries and hospitals for free to the superhighway. That could greatly affect the amount of money cable companies pay for their licences - money that goes straight to the Treasury. Mr Jon Davey, director of cable and satellite at the commission, said several hundred million pounds could be involved. "If BT is allowed to come into the market automatically for free, should cable companies still have to pay for their licences?" he asked.

The question marks over Treasury

revenues from cable came as the political row continued over what exactly BT had agreed with the Labour party before Mr Blair last night in Brighton. Sir Iain Vallance, BT chairman, said: "We've simply confirmed our agreement. There is no 'deal' as such between BT and the Labour party, but there is an understanding that if they get into power they will adopt the unanimous recommendations of the all-party [House of Commons] trade and industry committee on allowing BT and Mercury to compete with the CATV monopolies." "We would

respond by some acceleration of our broadband investment programme and by offering in principle free connections to schools, hospitals, colleges and libraries as we rolled out." Labour and BT refused to release an exchange of letters in which the deal was outlined in principle between Mr Blair and Mr Alan Rudge, BT's deputy managing director.

Dozens of cable licences could be affected by the change in policy. In one recent auction, CableTel, a large US cable company, bid £14.5m a year for the right to cable Northern Ireland. Under the 1990 Broadcasting

Act, cable companies also must pay a percentage of their revenues after five years of operation.

The sums could be even larger when the licences of the original cable operators start to come up for renewal from 1999. It is for the commission to decide on a fair fee for renewal. Mr Davey said competition from BT would clearly affect the value of licences. Mr Ian Lang, trade and industry secretary, demanded publication of all the material relating to Labour's negotiations with BT, arguing that this was necessary to dismiss allegations of a "backroom deal."

Delegates' decisions Nuclear disarmament stance reversed

● Introduce national minimum wage at a level to be set after a general election

● Recognise the goal of "full employment" for the next Labour government and commit party to a £1bn job creation and training programme for young people

● Back change in rules to dilute power of trade unions by giving votes of unions and constituency parties equal weight at conference. Up to now, union votes commanded 70% influence against 30% for constituencies

● Endorse tighter regulatory controls on privatised utilities - re-nationalisation in lifetime of the next Labour government was rejected - as well as imposing one-off windfall tax on privatised utilities to pay for extensive jobs and training programme

● Reject committing the party to repeal of all anti-trade union laws introduced by Conservatives since 1979

By Kevin Brown, Chief Political Correspondent

Mr Tony Blair yesterday demonstrated the strength of the grip in which he now holds his party by overturning its long-standing commitment to unilateral disarmament of the Trident nuclear missile fleet. The commitment to unilateralism, which was a severe embarrassment for the leadership, was dropped by a majority of 56 per cent to 44 per cent after a debate in which only two anti-Trident dele-

gates were called to speak.

Mr Blair hailed the vote as a sign of "maturity" in Labour's approach to defence. Left-wingers said they would try to reinstate the policy next year, when the trade unions' share of conference votes will fall from 70 per cent to 50 per cent. In a further victory for Mr Blair's crusade against the remnants of Labour's traditionalist past, left-wingers failed to force a debate on resolutions seeking a reduction in defence spending to the west European average. The leadership's suc-

cess in ignoring the spending resolutions will make it easier for Mr Blair to ignore the call for defence cuts, approved by big majorities at the last six Labour conferences.

Delegates gave overwhelming backing to a resolution tabled by the AEEU engineering workers' union promising a defence review, and making clear that a Labour government would scrap Trident only as part of a multilateral arms agreement.

Mr Blair said he was "delighted" by the Trident

vote. "This is one more sign that Labour is now a modern left-of-centre party, totally in tune with the interests of the British people."

"This vote shows a new maturity in the party's attitude to defence. On issue after issue we have seen the party united, sensible and determined to build the new Britain we all want to see," he said.

But leftwing delegates accused the leadership of trying to avoid a card vote, which allows the unions to mobilise their full strength.

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Central bank may introduce objective standards in market trading

Daiwa loss 'could hit Japan banks'

By Gerard Baker in Tokyo

The huge losses revealed last week by Daiwa Bank could adversely affect international confidence in Japan's fragile banking system, a senior Japanese official acknowledged yesterday.

Mr Kyosuke Shinozawa, the top bureaucrat at the finance ministry, told a news conference: "We have to worry because the scandal was dis-

closed at a very bad time." The news of Daiwa's \$1.1bn loss followed a succession of collapses of financial institutions and came amid heightened concern about the extent of the problems of non-performing loans at the country's leading banks.

Mr Shinozawa's remarks came shortly after Bank of Japan officials revealed they were reviewing their supervisory systems following the

Daiwa debacle. The central bank is considering introducing objective standards for the management of market trading and could punish institutions failing to meet them. The finance ministry is the main regulator of banks, but the central bank also has responsibility for regular checks on their market operations.

Both authorities began detailed inspections of Daiwa's offices yesterday in an effort to

identify management shortcomings that led to the losses. Officials also aim to discover when the bank first became aware of the losses and why it delayed telling them about the problems for two months.

Meanwhile, the resignation of the two top Daiwa executives moved closer yesterday when Mr Sumio Abekawa, the chairman, resigned from a senior position at another company. Mr Abekawa said he was

quitting the chairmanship of the Kansai International Airport Corporation to concentrate on his investigations into Daiwa's problems.

But newspaper reports suggested yesterday that both he and Mr Akira Fujita, the bank's president, were planning to resign within the next few months to take responsibility for the losses.

Editorial Comment, Page 13

Statistical hiccup lifts Tokyo surplus sharply

By William Dawkins in Tokyo

Japan's current account surplus rose sharply in August, for the first time in three months, because of a statistical freak which masks a continued decline, the finance ministry said yesterday.

According to the official figures, the surplus rose by 23.1 per cent from the same month last year, to an unadjusted \$7.58bn (£4.8bn). Stripping out one-off factors, such as a rise in interest on overseas bonds and a fall in crude oil imports, the current-account gap

shrank by an underlying 13 per cent, a ministry official said. Taken over the first eight months of the year, to August, Japan's surplus fell 9.7 per cent, as imports grew faster than exports. The August manufacturing trade surplus, excluding services, on which Japan runs a deficit, fell 0.6 per cent to \$25.31bn, the second monthly decline in a row.

Mr Shoko Asahara, leader of the Aum Shinrikyo religious cult, confessed to ordering the March poison gas attack on the Tokyo subway system and other crimes because of threats his organisation might be outlawed, his lawyer was quoted as saying yesterday, Reuters reports from Tokyo.

Attorney Shoji Yokoyama was quoted as saying Mr Asahara would plead not guilty at his trial this month, and testify he confessed under duress.

Exports rose 11.9 per cent in August, outstripped by a 16.9 per cent increase in imports.

Within this, imports of manufactured goods were at a record of 60 per cent of the total, a mark of the extent to which Japanese industry is

Japan, took the lion's share. This change in the structure of imports should contribute to a continued decline in the surplus, Mr Tatsuo Yasakawa, chief economist at Sanwa Research Institute, said.

Another notable feature is the sharp rise in Japanese exports, mainly of capital goods, to the rest of Asia to equip its own factories there, as well as local industries. Japan's sales to its fast industrialising neighbours accounted for 46 per cent of total exports of manufactured goods in August, compared with the 26 per cent devoted to the US. The EU accounted for a mere 5.4 per cent of exports.

Separately, the value of machine tools ordered from Japanese companies grew by 30.2 per cent in the year to August, an industry association announced. Foreign and domestic orders both grew fast, by 26.9 per cent and 33.1 per cent respectively.

Consumers 'are paying over odds for distribution'

By William Dawkins

Japan's convoluted distribution system continues largely to deprive consumers of the cheap imports they should expect from their strong currency, an influential think-tank said yesterday.

A comparison between Japan and Germany, the other leading industrialised nation with a strong currency, shows that the Japanese are paying over the odds for their distribution system, according to Fuji Research Institute, an offshoot of Fuji Bank.

Fuji estimates a 1 per cent rise in the yen's trade-weighted value leads to a negligible 0.1 per cent decline in consumer prices by the time imported goods make their way to the shops via several layers of distributors, each taking a profit on the way.

In Germany, the distribution chain is so much shorter and more efficient that German consumers do five times better than the Japanese out of their strong currency.

A 1 per cent rise in the D-Mark's value produces a 0.5 per cent fall in prices, according to Fuji.

The gap also reflects the closed nature of Japan's economy, compared with Germany. Imports account for nearly 26 per cent of German gross domestic product, making prices naturally more sensitive to currency changes than in Japan, where imports absorb a mere 13.5 per cent of GDP, says the study.

Based on the report, Fuji adds its voice to the chorus of economists and businessmen who have called for government deregulation to streamline the distribution system.

The niggling flaw in the Thai growth miracle

Ted Bardacke on a big current account deficit

Ask five economists the same question and you usually get five different answers. Ask them about a weakness in the Thai economy, and there is only one answer: the large deficit on the current account of payments, fuelled by an economy in danger of overheating.

At the moment the weakness remains latent. For the first time in months, the growth of Thailand's current account deficit has tapered off. But it is a weakness nonetheless and policy makers in Thailand are moving too slowly for some people's taste - to do something about it.

At stake is the maintenance of Thailand's high economic growth rate, which has averaged 7.7 per cent annually for the past 35 years. Although imports continue to be dominated by capital and intermediate goods, some economists are concerned about how the deficit is being financed.

Some recent news has not been encouraging. Thailand's services account, historically in surplus, has been deteriorating as net tourism earnings fall off and copyright payments grow now that the country is enforcing intellectual property law.

On the domestic front, household savings remain low - only 10.2 per cent of gross domestic product - indicating potentially dangerous levels of consumer spending. And the Bank of Thailand, the country's central bank, recently warned foreign banks that they were extending too many loans for personal consumption and the import of luxury goods.

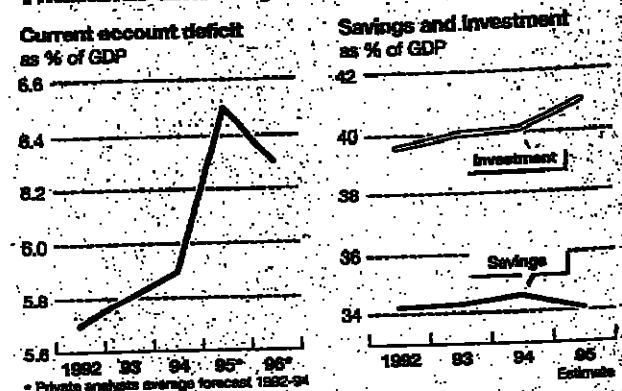
Most analysts expect the 1995 current account deficit target of Bt257bn (\$6.4bn), or 6.1 per cent of GDP, will be surpassed. Although the finance ministry has set up a high-level committee to develop strategies to eliminate the deficit by the year 2000, officials at the normally conservative central bank are less alarmed and say that for the moment nothing significant needs to be done.

Bank officials believe the recent growth in the deficit has been fuelled mostly by a cyclical upsurge in investment, not increasing consumption. They also argue that the deficit is mitigated by a high overall domestic savings rate of 34 per cent of GDP, most of it in the public sector.

"We are close to the peak of the investment cycle," says Mr Bandit Nijathaworn, director of economic research at the central bank. "Next year we should see a moderation even if policies remain neutral."

Nor is the bank worried about imports. Through the first quarter of 1995, raw materials and intermediate goods, such as components and capital goods, such as machinery, continued to make up the bulk of the import bill, with consumer goods accounting for

Thailand: anatomy of a deficit



Non-oil imports by sector			
Year	Manufactures	Capital goods	Consumer goods
1982	44.9	34.9	10.8
1983	45.1	35.0	10.9
1984	45.2	35.1	11.0
1985	45.3	35.2	11.1
1986	45.4	35.3	11.2
1987	45.5	35.4	11.3
1988	45.6	35.5	11.4
1989	45.7	35.6	11.5
1990	45.8	35.7	11.6
1991	45.9	35.8	11.7
1992	46.0	35.9	11.8
1993	46.1	36.0	11.9
1994	46.2	36.1	12.0

Source: Bank of Thailand

only 10.7 per cent of non-oil imports, down from 11.3 per cent in 1994.

But there is no certainty that the high investment and capital goods imports will translate into increased exports in a few years, as they did during Thailand's last economic boom at the beginning of the decade. For one thing, the components of the current investment boom and the ways of financing it are different.

Five years ago investment and capital goods imports were driven by foreign direct investment with a specific export objective and ready-made financing. Now investment growth is coming from increased spending on infrastructure and is being financed by the debt market.

Unlike Mexico in the build-up to that country's crisis at the end of last year, the Thai government is not relying on overseas financing. But, in what is similar to the Mexico case, the banking system is increasingly funding itself with short-term offshore money (so-called "hot money") and then lending it on for long-term periods, on the assumption that off-shore loans will be rolled over. So far roll-overs have been automatic; an external or internal shock could wreak havoc.

Awash in liquidity, banks have been tempted to lend for property development and personal consumption. But so far only foreign banks have been substantially increasing their loans in these areas. Thai banks, which account for 94 per cent of all lending, have generally met Bank of Thailand targets.

Meanwhile the central bank, in a preventative measure, increased the reserve requirement on non-resident bank accounts and instructed local banks not to book foreign currency loans to non-productive sectors as net foreign exchange assets. Yet the positive impact of moves like these could be

swept away should the new government lose its fiscal discipline. Currently, savings are concentrated in the public sector, where budget surpluses have been the rule for the past several years.

But an immediate Bt11bn increase in public spending pushed through by the new government may dilute this surplus and put pressure on household and private savings just to keep the overall savings rate steady.

However, Mr Surakiat Sathirathai, finance minister, says the increased spending will be fully covered by extra tax revenue and that the government will again run a surplus in 1996.

Mr Surakiat has already introduced private savings and says the government's current account committee will make additional recommendations, such as providence funds and better access to life insurance. It will also look at ways of developing the shipping industry, where substantial earnings can be found as the overall volume of Thai trade continues to grow. But any moves are likely to be incentive-based: Singapore-style forced savings plans or Korea's habit of "picking winners" are unlikely.

Paradoxically, rising inflation may be the government's biggest ally in enacting measures to reduce the current account deficit, says Mr Sanjiv Chowdhury, chief economist for Asia-Pacific at Merrill Lynch. He notes that governments rarely act quickly to stem deteriorations in external accounts, as they do not immediately affect the public. But inflation does cause public outcry and forceful measures to bring it down should have a knock-on effect on the current account.

"It is too early to fault this new government [for the high current account deficit]," says Mr Chowdhury, "but not too late for them to do something about it."

China steps up reform of state enterprises

By Tony Walker in Beijing

China pledged yesterday to accelerate reform of loss-making state enterprises by providing incentives to encourage mergers. Enterprise debt, another barrier to reform, would be converted to equity held by the state as part of attempts to "corporatise" the state sector.

Premier Li Peng, in the most detailed explanation yet of plans to reform the chronically loss-making state sector, said 1,000 large state enterprises had been targeted for special assistance because of their importance to the national economy.

Of these key state companies, 800 were in the industrial sector and accounted for 63 per cent of China's industrial assets. They contributed more than two-thirds of tax revenues from all industrial enterprises.

China's large and medium-size enterprises number about 14,000, but the vast bulk of these are not considered vital to the national economy and will presumably become candidates for either divestiture, management buy-out, merger or bankruptcy. About one-half of these 14,000 enterprises were loss-making in the first six months of the year.

China's leadership has been wrestling with a blueprint for reform of the ailing state sector, but fears of growing unemployment have slowed the process. Chinese leaders have also balked at privatising larger state-owned companies

China yesterday announced the appointment of Gen Fu Qianyou as the new chief of the general staff of the People's Liberation Army. Gen Fu replaces Gen Zhang Wannian, who was promoted last week to be a vice-chairman of the central military commission, overseer of China's military, writes Tony Walker. Gen Fu, 65, was previously director-general of the PLA's logistics department. His appointment is part of a shuffle of military positions as President Jiang Zemin seeks to consolidate his grip on power.

because of opposition from within the Communist party to a "sell-off" of state assets, and worries about job losses. Mr Li, who is regarded as a strong proponent of the state sector, said that boosting key state enterprises would "reinforce national economic strength and increase China's ability to regulate and control the national economy".

He pledged that enterprises which "bear a heavy burden left over from the past and... occupy important positions in the national economy" would receive special assistance. This would take the form of exemption from interest payments for companies which merge; a programme of debt-equity swaps for key enterprises; and that debts of bankrupt enterprises would be "offset". It was not immediately clear what the latter meant, but the government

may be proposing a programme of debt forgiveness.

Mr Li also indicated yesterday China would ease back on preferential tax and other incentives for investments in its six special economic zones which have become flagships of its attempts to attract foreign investment. "Over a period... it was necessary to provide preferential policies in order to attract foreign funds because of inadequate investment environment," the official Xinhua news agency quoted him as saying.

Chinese government economists are predicting inflation for the year of 14.7 per cent and gross domestic product growth of 10.2 per cent compared with a target of 8.9 per cent, according to a Xinhua report. The Academy of Social Sciences, a government think-tank, and the State Statistical Bureau said China would experience a "soft landing" this year with inflation and growth moderating in response to the government's tight credit policies.

China's inflation reached 21.7 per cent last year, and was down to 17.6 per cent to August this year compared with the same period in 1994. GDP growth last year was 11.8 per cent.

The economists hailed the reduction in inflation but said that it was vital for the government to maintain its "money-tightening" policy. Pressures are building, however, from the business sector for an easing of credit restrictions.

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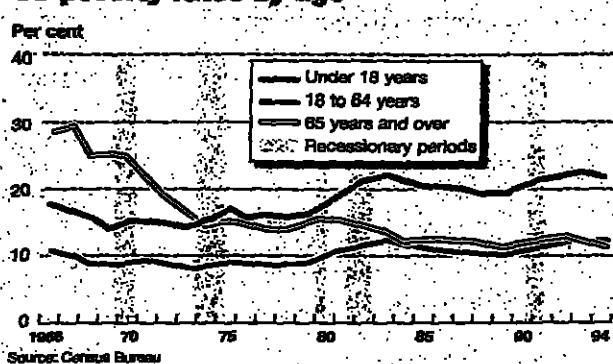
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NEWS: THE AMERICAS

US poverty rates by age



Rich become richer and so do the poor

By Michael Prouse
in Washington

The US poverty rate fell last year for the first time in five years, indicating that poor families are starting to benefit from the economic recovery that began in 1991, official figures indicated yesterday.

Data also showed affluent families continuing to gain ground relative to other households, whose incomes are stagnant, despite the Clinton administration's efforts to promote greater equality.

The Census Bureau said the poverty rate (the proportion of people living in poverty) fell to 14.5 per cent last year, against 15.1 per cent in 1993. But it remained well above the recent trough of 12.6 per cent reached in 1989 at the peak of the previous business cycle.

A family of four is considered below the poverty line if its income is \$15,141 or less. The threshold is raised each year in line with inflation.

The decline in poverty was especially marked among African-American families. The poverty rate for black families fell from 33.1 per cent to 30.6 per cent. That for whites fell from 12.2 per cent to 11.7 per cent.

Incomes for the bulk of households were stagnant last year despite a 4 per cent increase in gross domestic product. Median household income stabilised at \$23,354 after falling in the preceding four years. But it remained 6.3 per cent lower than the most recent peak of \$34,547 reached in 1989.

The median income of black households rose 5 per cent last year to \$21,027. Median refers

to households in the middle of the income distribution.

The poverty rate for children fell to 21.6 per cent against 22.7 per cent in 1993, a sharper decline than registered for other age groups. The child poverty rate has been at or above 20 per cent since the early 1980s, against a rate of 11.2 per cent among the elderly who benefit from the social security pension programme. Children, though only 27 per cent of the population, account for 40 per cent of the poor.

The report showed no slackening in the trend toward greater income inequality. The share of household income received by the top 20 per cent rose to 48.1 per cent last year, against 46.8 per cent in 1989. The share of the middle 60 per cent fell from 49.3 per cent to 47.3 per cent. That of the bottom 20 per cent fell from 3.8 per cent to 3.6 per cent.

The figures suggest inequality, if anything, is growing more rapidly than in the late 1980s. The share of the top 20 per cent, for example, rose from 45.2 per cent to 46.8 per cent between 1984 and 1988, a smaller jump than in the most recent five-year comparison.

Data indicated a big improvement in economic conditions in the south, still the poorest region. Median household incomes rose 2.9 per cent there last year, a contrast to the stagnant national trend.

The poverty rate fell to 16.1 per cent, only slightly above 15.3 per cent in the west. Officials said it was the first time since data were compiled that the south had not stood out as having a significantly higher poverty rate than other areas.

Scandal plunges Ecuador into crisis

By Raymond Collett in Quito

A three-month-old corruption scandal has plunged Ecuador into one of the worst political crises since it returned to democracy 16 years ago and has begun to undermine economic confidence.

Interest rates have soared, with benchmark interbank rates rising 12 percentage points over the last week to 43-45 per cent. The currency has hit the bottom of the exchange rate band and short-term foreign investment has fallen.

Vice-president Alberto Dahik, accused of corruption, is battling to avoid impeachment just two weeks after Congress impeached Mr Mauricio Fialto, the finance minister, and the supreme court indicted several top government officials on charges of covering up a corruption scandal.

Two of the country's main opposition parties have announced they will seek to impeach President President Durán Ballén.

Congress is expected to vote today on whether to impeach Mr Dahik after a week of hearings during which he presented a tough defence and fended off calls from the president for his resignation.

Mr Dahik, who has led the government's economic reform efforts, said he was being tried by Congress because he had "the courage to initiate necessary reforms," contrary to the interests of certain legislators.

He admitted to having granted budgetary concessions and political appointments to the opposition Social Christian Party (PSC) in exchange for support of reform legislation.

This, he said, was necessary to govern in a pugnacious political landscape and did not constitute bribery.

It is unclear whether opposition parties have enough votes to impeach Mr Dahik. With the populist PRE party joining his supporters, there are currently 49 votes in favour of the impeachment, just short of the two-thirds majority necessary.

Hurricane Opal losses over \$1.8bn

Insured losses from Hurricane Opal are estimated at \$1.8bn in Florida alone, enough to make it the third costliest hurricane in US history behind Hurricane Andrew and Hurricane Hugo, according to the Insurance Information Institute, Reuters reports from New York.

"This is just Florida. It doesn't include Alabama or Georgia," Ms Loretta Waters, director at the institute, said yesterday. Losses from Alabama and Georgia are expected to push the total cost even higher, she added.

Losses from Opal are substantial enough to make it the fourth costliest catastrophe in US history. Hurricane Andrew ranks first, with insured losses of \$15.5bn, the Northridge, Cal-

ifornia, earthquake is second with \$12.5bn in insured losses, and Hurricane Hugo comes in third with \$4.2bn in insured losses.

Insurers believed yesterday that Opal, with sustained winds of up to 150 mph at one point, might even top Andrew in terms of losses.

But losses were lighter than feared because the storm moved quickly through the Pensacola and Fort Walton area in Florida and homes in the area where it struck were less expensive than those hit by Andrew in 1992.

Opal could still cause serious damage further inland if the storm slowed, then lingered over an area with winds above 70 mph.

Ortiz acts to end assault on peso

By Leslie Crawford
in Mexico City

The Mexican government yesterday sought to bury a perceived policy split among economic policymakers that has unsettled financial markets.

Mr Guillermo Ortiz, finance minister, and Mr Francisco Gil, deputy governor of the Bank of Mexico, said that they had agreed to maintain a free floating exchange rate as the best way to ensure the competitiveness of the Mexican economy.

Speculative bubbles or turbulence in the money markets would be dealt with by

raising or lowering interest rates, Mr Ortiz said.

His remarks were clearly aimed at ending a speculative attack on the peso, which has lost 4 per cent of its value against the dollar since mid-September. The peso weakened further yesterday, trading at 6.53 against the dollar compared with 6.52 on Wednesday despite a sharp rise in Treasury bill interest rates to above 40 per cent this week.

Mr Ortiz's remarks were the clearest indication yet that the government has no plans to return to some form of pegged exchange rate to help combat inflation.

Mr Ortiz said prudent monetary and fiscal policies would be the main instruments in the fight against inflation, and his statement was welcomed by the stock market, which yesterday posted the first modest gains after a month of heavy losses.

Mr Ortiz said the government did not have a "target" exchange rate for the end of the year, although he said he believed the peso remained undervalued. He added that a measure of instability was to be expected in a floating exchange rate regime, which Mexico adopted in December after a botched devaluation.

tion led to a run on foreign currency reserves.

Mr Ortiz said he would present a balanced budget for 1996 and forecast a current account deficit next year of 1 to 2 per cent of gross domestic product, which he said Mexico would have no trouble financing. The finance minister said debt repayments in 1996 would total \$8.9bn, against \$41.4bn this year.

In an apparent change of heart, Mr Ortiz said there were no plans to issue more *tesobonos* - the short-term Treasury bills linked to the dollar which triggered Mexico's financial crisis in December. Last

month Mr Ortiz had told US investors in New York that new *tesobonos* might be issued.

The government yesterday raised DM1bn (\$696m) in a five-year D-Mark Eurobond issue, which Mr Ortiz said would be used to repay some \$700m of short-term debt owed to the US Treasury and Federal Reserve.

The repayment of part of the emergency \$200m US loan package which helped Mexico stave off default earlier this year coincides with President Ernesto Zedillo's state visit to Washington next week. International bonds, Page 28. Company default looms, Page 26.



Ortiz: seeking to end speculation against the peso

The wheels come off Mexico's car market

A devalued currency, shrinking incomes and deep recession have killed demand, writes Leslie Crawford

It has been an awful year for Mexico's car industry. A devalued currency, shrinking personal incomes, and Mexico's worst recession in living memory have all but killed the demand for new cars this year.

Domestic sales plummeted 72 per cent in the first eight months of 1995. The Association of Mexican Car Dealers believes demand will not recover its 1994 record, when 619,000 vehicles were sold, until well after the year 2000.

Not only have sales collapsed, but many customers who bought on credit last year are either defaulting on their debts or returning their vehicles, especially trucks.

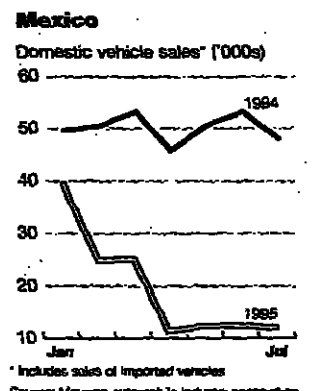
Interest rates in Mexico rose to as much as 120 per cent a year in the aftermath of December's devaluation of the peso, and although they have eased in recent months, the cost of credit is still considered

to be too high to allow consumers to repay their debts.

Exports have taken up some of the slack, and will probably earn close to \$14bn this year, but they have not made up for the collapse in domestic sales. Some car assemblers, such as Ford, Chrysler and Volkswagen, are exporting more than 80 per cent of their Mexican production.

Other vehicle makers, however, have not been able to export their way out of the Mexican recession. Nissan, the Japanese car maker, has sold barely 22,000 cars in Mexico this year, against 57,000 in the first eight months of 1994, while its exports have also fallen.

After investing \$1bn in Mexico in the early 1990s, Nissan's plant in Cuernavaca, outside Mexico City, has lain idle for several months this year. Car dealers say its accumulated inventory is enough to



cover more than one year's sales.

Mexico's car industry fired tens of thousands of workers in the first half of the year.

Those fortunate enough to hold on to their jobs have accepted half-pay during the extended periods in which car plants have closed down owing to accumulated

inventories or lack of demand.

Such gloomy circumstances have frayed tempers within the car industry. Competition, previously fierce, is now murderous.

"I see prices being slashed almost every week," says Mr Carlos Lobo, president of Chrysler Mexico. "If I bring out a new credit plan, my competitors will match it immediately."

Car dealers, accustomed to 18 per cent margins on the sale of a car, believe they have been the worst affected by the slump. They say car makers have increased their prices in line with the higher cost of imported parts, while car dealers have been forced to sell below cost to shift unwanted stock.

Distributors have demanded, and in some cases obtained, better credit terms from car manufacturers. But at Chrysler, grievances ran so deep that dealers took their complaints

to Detroit in August. They camped outside Chrysler's headquarters for eight days before Mr Robert Lutz, Chrysler's president, agreed to a meeting.

"We asked Chrysler to invest more in Mexico," says Mr Mario Cervera, the leader of Mexico's Chrysler dealers. "The answer was no."

"We have a double problem," Mr Cervera adds. "The economic crisis in Mexico and Chrysler's bad marketing. Chrysler is not positioning its cars competitively. Not only have we lost sales, we are also losing market share."

To help the dealers, Mr Lobo says he is extending interest-free credit to the dealer network and subsidising the sale of fleets of pick-up trucks to the government. "I am selling below cost so dealers can generate a decent volume of sales," Mr Lobo says. "I am losing \$3,000 on every \$30,000 truck."

Although Chrysler is exporting more than 80 per cent of its production, Mr Lobo says there is only token money in the export business. "Ninety per cent of the cost of a car comes from its parts, and most of these are imported, so there is only marginal room for increasing efficiency in the industry," Mr Lobo says.

Nevertheless, Mr Lobo concedes that his exports to the US, which are up almost 70 per cent this year, have ensured Chrysler's survival in Mexico this year.

"The fact that the US economy was booming when the financial crisis hit Mexico has certainly helped," Mr Lobo says. "My big fear is that when both economies become increasingly integrated, their economic cycles will run in tandem. Manufacturing in Mexico will then become more complicated. We will have to rely less on the US and develop new export markets."

Ontario seeks to reform labour law

By Bernard Simon in Toronto

Ontario's new conservative government has proposed labour law reforms which will significantly weaken trade unions' bargaining power as part of the government's self-proclaimed "common sense revolution".

The draft legislation, which the government expects to push through the provincial legislature quickly, is designed to improve the business climate in Canada's most industrialised province. It comes on the heels of a series of spending cuts aimed at reversing Ontario's spiralling public debt.

The cuts include a 21 per cent reduction in welfare payments, the closure of 25 "half-way houses" for released prisoners and sharply reduced funding for women's shelters.

The measures were broadly welcomed by the business community, but drew strong public protests. Mr David Crisp, vice-president for human resources at Hudson's Bay Company, which owns several large retail chains, said that "all of us have criticised government for going too slowly in the past."

Ontario contributes about 40 per cent of Canada's gross domestic product. The business community has been dispirited in recent years by the former New Democratic government's policies, especially in the labour and environment fields.

The conservatives, led by Mr Mike Harris, took office last June with a promise to reverse many of the NDP's initiatives. Pressure for deep spending cuts has been intensified by a Tory promise to cut taxes next year.

The labour reforms would reverse a three-year-old ban on the use of non-union replacement workers during a strike or lockout. In future, a secret ballot will be required to certify a union, ratify a labour contract or call a strike.

The proposals also pave the way for extensive privatisation by allowing companies that take over government services not to honour workers' existing union contracts.

According to Mr Crisp, 14 stores in one Hudson's Bay chain have been unionised over the past three years. But he said that many workers might not have chosen this route if a secret ballot had been allowed, or the company had a right of appeal.

The Harris government has indicated that it will announce further spending cuts in a "mini-budget" next month. The main target is expected to be transfer payments to municipalities, universities, school boards and hospitals.



It seems there's something missing from telecom strategies: the local

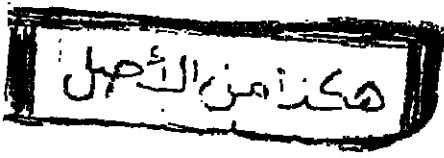
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Skoda plans assembly plant in Russia

By Haig Simonian in Prague

Skoda, the Czech car manufacturer majority-owned by Volkswagen of Germany, is in advanced negotiations to begin assembling vehicles in Russia. The project would make the company the first western-controlled car manufacturer to assemble vehicles in the country.

The company negotiated with at least six potential Rus-

sian partners from the motor and aerospace industries, but decided on a greenfield site. Neither the location of the plant nor its planned capacity has been disclosed.

Production is likely to be modest to begin with because of Skoda's limited financial resources and the risks. However, observers say the company sees immense potential, in spite of the continuing economic and political uncertain-

ties in Russia.

Skoda at present sells about 5,000 cars a year in the former Soviet Union - accounting for about 0.7 per cent of the estimated total market - while Volkswagen sells about 3,000 vehicles. Imports of both marques are hampered by high tariffs which amount in Russia to more than DM3,000 (\$2,069) per unit on Skoda's cheapest model.

The new venture will assem-

ble Skoda's Felicia five-door hatchback from kits from its main factory north of Prague. The company already builds almost 8,000 cars a year from kits at Poznan in Poland, where output is also expected to rise sharply.

The scale of the Russian venture will be restricted initially by VW's insistence that it be self-financing and by Skoda's ambitious plans for its main Czech operations. Skoda has

undergone a transformation with the development of new models and facilities since VW took control of the state-owned group in 1991.

In addition to the Felicia, launched last year, the company is to introduce a second car range late next year.

Skoda's low costs and its relatively simple models mean it is being groomed by VW to counter the rising competition in developing markets, such as

eastern Europe, of low-cost Far East manufacturers such as Hyundai and Daewoo.

Other leading car manufacturers, notably Fiat, have looked into Russian production. However, all the projects, including Fiat's ambitious scheme to set up a joint venture with AvtoVAZ, a leading manufacturer, have been frozen because of the political and economic difficulties involved in conducting business there.

WORLD TRADE NEWS DIGEST

Enron ready for Dabhol talks

Enron, the US energy corporation, and India's western state of Maharashtra both confirmed yesterday that they are ready to reopen negotiations on the Dabhol power project this weekend. "The project is being revived," Maharashtra chief minister Manohar Joshi said after a cabinet meeting.

Ms Rebecca Mark, Enron's chief executive, told officials at a World Bank environment conference in Washington she hoped the renegotiation would be finished in about 30 days. Maharashtra cancelled the \$2.8bn 2,015MW power plant south of Bombay early in August saying it was too expensive and the proposed power tariff too high. Despite the imminent renegotiations, Enron has told the state government it was "not appropriate" to abandon legal arbitration procedures Enron has opened in London, but that this matter could be discussed at their first meeting.

Enron said it was willing to change the plant's fuel from fuel oil to locally-sourced naphtha to reduce the tariff and is offering a 30 per cent stake in the project to the state's electricity board.

Mark Nicholson, New Delhi

ICI plans Pakistan plant

Imperial Chemical Industries yesterday gave the go-ahead for a \$250m (\$658m) pure terephthalic acid (PTA) plant in Pakistan that will be the first in the country. PTA is the raw material for polyester fabrics. The plant will be part of ICI Pakistan, which is 61.5 per cent owned by ICI, and will be financed through a local rights issue. It would be completed by the end of 1997, and should face heavy demand immediately, said ICI.

The textiles sector is among Pakistan's most important, and several years of poor cotton crops have increased its dependency on polyester. Local polyester producers, which include ICI, have been using imported PTA to meet this demand. However, the outlook for PTA could be clouded by a recovery in cotton.

It may also be damaged through oversupply. The success of PTA as a raw material for plastic drink bottles, as well as for fabrics, has prompted a rash of new capacity announcements.

More than 40 new plants or large expansions are due to come on stream in Asia over the next three years. Together with the expansions announced in North and South America and Europe, this would lead to increases in the world capacity for PTA of 20 per cent this year, 25 per cent next year, and a further 32 per cent the year after.

Jenny Luesby, London

Fujitsu in Vietnamese project

Fujitsu said yesterday it was to start assembling printed circuit boards in Vietnam next autumn. The Japanese electronics company will set up a wholly owned company in Vietnam by the end of the month. The new plant will assemble printed circuit boards to supply the company's factories in Thailand, where it makes storage devices for computers, and, beginning next spring, in the Philippines.

Sales of the Philippine factory were expected to reach \$300m in 1996, the company said. In order to serve these two plants, Fujitsu needed a site close to both countries.

The Vietnam facility was expected to achieve sales of \$420m in fiscal 1997, Fujitsu said.

Michiko Nakamoto, Tokyo

Mitsui, the Japanese trading house, expects to sign a \$28bn (\$698m) contract to build a lead-free oil refinery in Russia in co-operation with Thyssen unit Thyssen Rhein Stahl Technik. Mitsui said Toyo Engineering of Japan was likely to help build the refinery, and that the Export-Import Bank of Japan would provide a loan.

AFX, Tokyo

Meeting aims to lift telecom talks

By Frances Williams in Geneva

Slow-moving negotiations on a multilateral deal to liberalise basic telecommunications across the world are expected to be prodded into life when senior trade and telecoms officials meet in Geneva today.

Trade diplomats said the meeting, under World Trade Organisation auspices, was intended to give political impetus and a clear sense of direction to the 18-month-old negotiations which are due to end next April. The meeting will be preceded by talks between the Quad group of leading traders (the US, European Union, Japan and Canada).

So far only 10 of the 28 participants (the 15-nation EU counting as one) have submitted conditional offers on opening their telecoms markets to foreign competition, though they include all four Quad members.

Mr Jeffrey Lang, deputy US trade representative, said yesterday that if the talks succeeded Washington's offer would "lock open" almost every aspect of the domestic telecoms market.

Meanwhile, Mr Karl Falkenberg, the EU's chief services negotiator, said the EU's offer tabled on Wednesday "will effectively liberalise access to the European market for all forms of telecommunications services".

The EU offer, which includes separate commitments by all

15 member states, contains restrictions on foreign equity participation operated by four of them - a limit of 30 per cent in France, 25 per cent in Spain and Portugal and 49 per cent in Belgium. However, Brussels says it is willing to scrap these ceilings if trading partners reciprocate with concessions of their own.

Mr Falkenberg said he thought the "general conditions are rather good" to secure a telecoms deal next April, though the time remaining was short. Both he and Mr Lang nevertheless expressed disappointment at the low level of participation in the talks.

One key sticking point is likely to be US insistence that tough "pro-competitive" rules are written into the WTO telecoms accord, obliging dominant telecoms operators to make room for new entrants.

The experience of countries which had deregulated their telecoms sectors showed that pro-competitive disciplines were essential, Mr Lang said yesterday. "Without them liberalisation doesn't work."

However, Mr Falkenberg said that while the EU agreed with the objective and was preparing pro-competitive regulations for its own market, it was "too ambitious" to design a single set of detailed rules applicable worldwide.

Competition policy was a new and untried domain for the WTO, and the issue was too big to be squeezed into a single sectoral negotiation, he said.

Albania enters the jet age

Kevin Done reports on plans to modernise air transport

Albania is expanding its air links with Europe with the revival of Albanian Airlines in a joint venture controlled by M A Kharafi, a Kuwaiti construction group.

The airline has started operations this week from the antiquated Rinas airport at Tirana.

Air traffic to the Albanian capital is increasing rapidly, but the facilities at Rinas are barely adequate to cope with the influx of new airlines and rising passenger numbers.

Negotiations are at an advanced stage, however, on a financing package for the DM48.6m (\$34m) first phase of an urgently needed airport modernisation scheme.

The airport project is one element in the \$1.3bn, three-year public investment plan aimed at improving Albania's outdated infrastructure.

Siemens, the leading German electrical engineering group, is the main contractor for the airport scheme.

Project finance is being negotiated with Berliner Bank, Kreditanstalt für Wiederaufbau, the German state-owned development bank, and Hermes, the German export credit agency.

Despite recent difficulties Berliner Bank said that it was confident financing would be completed in the next few weeks.

The deal would be the first significant commercial funding for Albania since the country reached agreement in the summer on the restructuring of its \$500m of commercial debt - on which it defaulted in 1991 - which has opened the way to



Airlines flying to Rinas Airport, Tirana.

Albanian
Aitalia
Swissair
Lufthansa
Austrian
Ada (Italy)
Adria (Slovenia)
Croatian
Olympic
Balkan Air (Bulgaria)
Malev (Hungary)
Hemus (Bulgaria)

the provision of trade and project finance by foreign banks.

Mr Perparim Zuna, director of the Albanian civil aviation directorate, said work was expected to start this year.

The existing airport was built to a Russian design in 1967. The runway, made from hexagonal and square concrete blocks, is uneven and patched with asphalt, and the taxiways are potholed.

According to the government's three-year public investment plan, "facilities at Rinas are run down and threaten the safe operation of the airport. The runway is substantially damaged and needs urgent reconstruction."

The runway lighting system requires replacement to permit safe night operations. Navigation equipment is obsolete, and adequate stand-by generators are needed. Terminal, taxiway

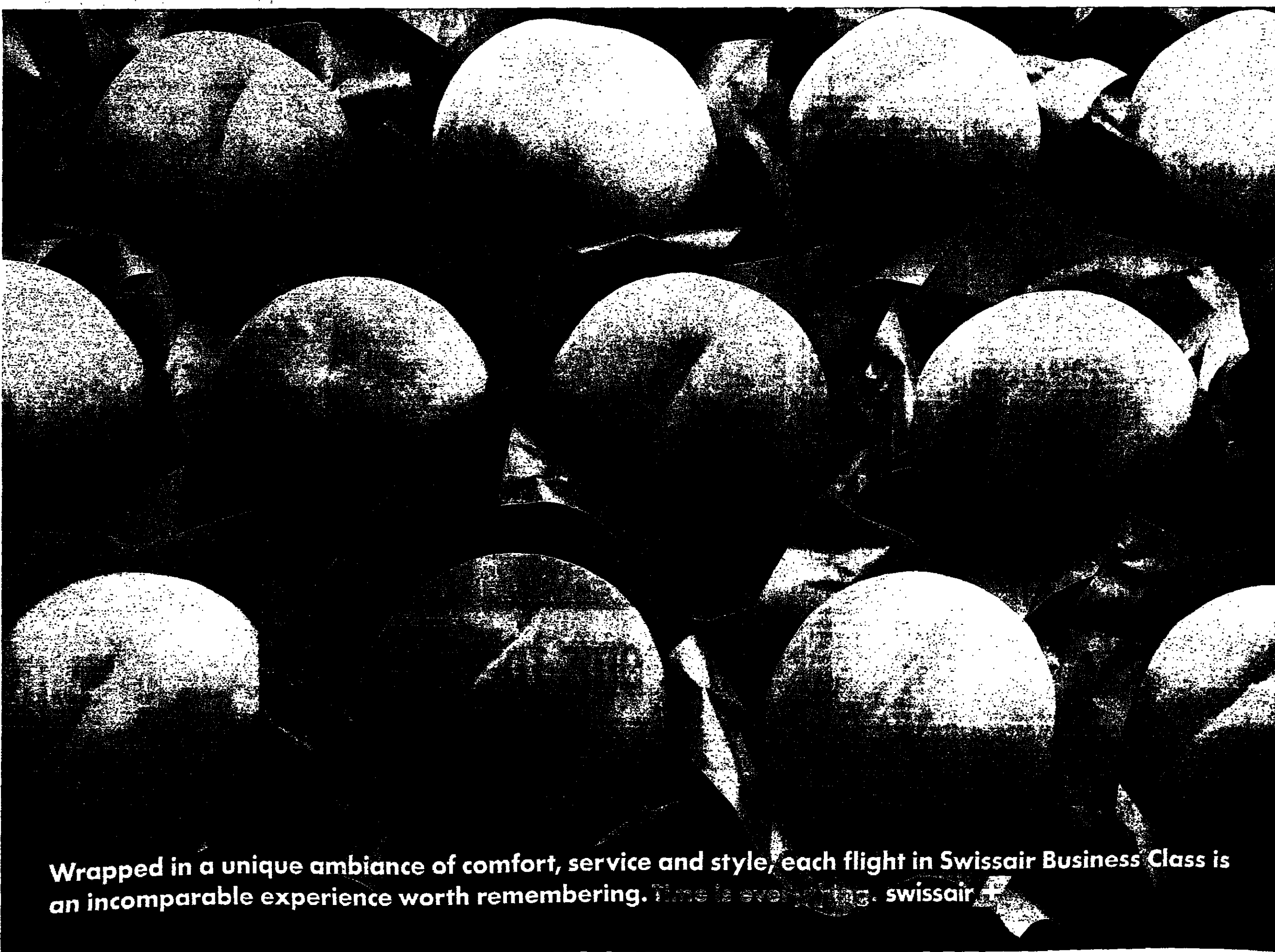
and apron facilities are limited.

During the 1980s there were two flights a day or fewer to Tirana, according to Mr Zuna, but in the last four years traffic has increased to between 10 and 17 flights per day and the aircraft are bigger.

The number of passengers using the airport has jumped from 30,000 in 1990 to an expected 200,000 this year as economic activity in Albania begins to recover.

Communications are primitive, with only 14 telephone lines, half of which are needed for air traffic control. Albanian airspace was opened five years ago, and the number of aircraft overflying the country has risen from six a day in 1990 to between 70 and 80 now.

The emergency "first phase" will renew and strengthen the runway, taxiway and apron



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NEWS: INTERNATIONAL

Robert Chote on moves to adapt rules for protecting companies from their creditors

Forging a bankruptcy code for countries

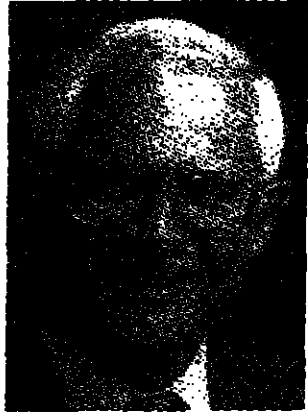


In January 1992 Macy's department store in New York and the Russian government in Moscow announced they were no longer able to service their debts. Under chapter 11 of the US bankruptcy code Macy's was given protection from its creditors and within four weeks had arranged \$600m of new finance. Russia, meanwhile, took a year to reschedule its debts to other governments, is still being harassed by creditor banks and had to wait months for financial help.

In most countries there are laws to ensure that corporate failures are dealt with in an orderly way, if possible allowing the victim to be restructured to the benefit of its owners, creditors and employees. But no such rules cover financial crises in heavily indebted countries. The only options may be an expensive taxpayer-funded bailout or a potentially contagious default.

The rush to assemble a \$500m package to cope with Mexico's crisis last winter has left policymakers wondering whether the principles of corporate bankruptcy could be applied to governments too, as Professor Jeffrey Sachs of Harvard has argued. Finance ministers and central bank governors from the Group of Ten leading industrial countries will discuss the issue in Washington on Sunday.

Bankruptcy codes offer three important advantages. First, they prevent creditors from



Richard Portes: some ambitious plans unwelcome

pressing their claims for debt repayment, providing breathing space to restructure the business and reschedule its debts. Second, they allow broadly acceptable restructuring proposals to be imposed on a minority of dissenting creditors. Third, they encourage investors to inject new money into the business by guaranteeing it will be repaid before the original debt.

These features address an important market failure: that it is always in the interest of individual creditors to press their claims on a debtor, even if this results in a liquidation that leaves them worse off as a group than if they allowed the company to continue trading.

This applies as much to governments as companies. A violent market overreaction to financial difficulties can force governments into fiscal and monetary measures that can

cripple the economy. This has become more likely in recent years as governments have raised more money by selling bonds to mutual funds and the like rather than borrowing directly from banks or other governments.

The UK Treasury, the Foreign Office and the Bank of England have asked Professors Richard Portes and Barry Eichengreen of the Centre for Economic Policy Research to study the scope for orderly debt workouts in the light of these trends. They conclude that it is possible to deal with sovereign financial crises more effectively, even if some of the more ambitious proposals are unworkable.

Prof Portes and Eichengreen argue that countries would be encouraged unilaterally to suspend their debt repayments in appropriate circumstances if a clear state-

ment of approval by the International Monetary Fund eased the fear that this would jeopardise their future access to credit markets.

A 'Bondholders' Council' should also be created to restructure debt in the form of bonds, while the London Club continues to deal with debt to banks and the Paris Club with debt to governments. A conciliation and mediation service should be set up to minimise the danger of deadlock in these forums.

Bond covenants should also be altered so they explicitly permit a majority of shareholders to alter repayment terms even if a minority object. Disasters could appeal to an arbitrating tribunal.

The IMF should also have more resources with which to provide temporary help to countries in difficulties, Prof Portes and Eichengreen argue.



Jeffrey Sachs: G10 ministers will discuss his idea

The IMF should impose tough policy conditions on countries asking for support or for approval of a debt standstill, to stop countries opting for these solutions as an easy way out. But Prof Portes and Eichengreen argue that creating an international organisation with powers equivalent to national bankruptcy courts is a non-starter. Individual countries are unlikely to surrender sovereign immunity so it could seize collateral across international borders.

Neither could it replace the government of a country in the same way that national courts can replace the management of a failed business. An international bankruptcy court would also require legislation in most national parliaments - and most are unlikely to agree to constrain the legal rights of their investors overseas. Expert opinions differ widely

on the scope for these sorts of orderly work-out proposals. Mr Charles Dallara, managing director of the Institute for International Finance, a pressure group for financial institutions, said last week that allowing countries to seek an officially sanctioned debt standstill would let governments avoid the tough measures needed to restore creditworthiness.

Mr Dallara also recommended that "multilateral institutions would not offer protection to private parties from market risks, either before or after a crisis occurs". The conclusions reached by Prof Portes and Eichengreen were also criticised by one senior government economist who noted that the creation of a 'Bondholders' Council would still mean that only a limited number of creditors was covered. Money can still flow out of a troubled country via equity markets or the foreign exchange. "Their report does not say this, but if you are going to avoid expensive bailouts then you have to have capital controls", he added.

He added that international economic policymakers were always obsessed with fighting the last war. These orderly work-out proposals might help prevent another Mexico, but if the next crisis hit China, for instance, that would present a very different - and unknown - set of problems.

'Crisis, what crisis?' by R Portes and B Eichengreen, CEPR, 25-26 Old Burlington St, London W1X 1LB

South Africa enjoys surge in confidence

By Roger Matthews in Johannesburg

Business confidence in South Africa surged last month to its highest level for more than a decade, Mr Raymond Parsons, director general of the South African Chamber of Business, yesterday said the figures sent a strong message of confidence to the rest of the world.

The confidence index, compiled by Sachs, tracks 13 key economic indicators, eight of which rose last month to leave it at 115.6, a rise of 5.6 points. The improvement reflects primarily the growth of private fixed investment, and a decline in the inflation rate to 7.5 per cent, its lowest rate for 22 years. This has raised hopes that the inflation figure for the year will be less than 10 per cent.

Other positive factors included an increase in car sales, a decline in insolvencies, and a further increase in merchandise imports.

Mr Parsons said the reduction in inflation, although affected by statistical factors, was a tribute to the dogged persistence of the monetary authorities, and indicated some success in reducing underlying inflationary pressures. "If South Africa plays its economic and political cards well from now on, it stands a good chance of turning the present cyclical upswing into sustainable long-term growth."

Sachs, which represents 45,000 mainly small and medi-

um-sized companies, warned against putting pressure on the authorities to ease monetary policy, but believed there may be scope for a cut in interest rates next year. It added that the rise in business confidence, particularly in manufacturing and retailing, also reflected the approach of Christmas.

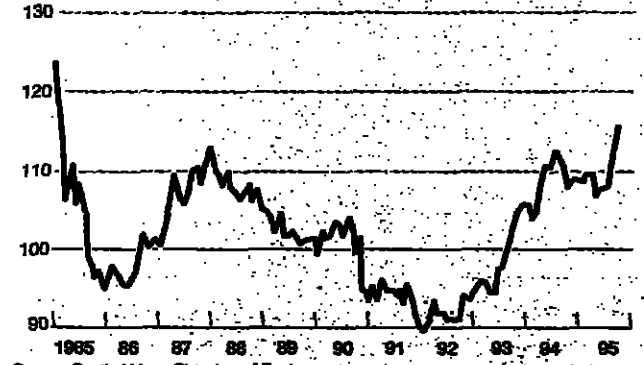
Of greater concern is a possibility that the present economic upturn could be nearing its peak. This was particularly reflected in manufacturing, where forecasts of increased orders have flattened out, and there was a decline in expected use of production capacity.

There was also a decline in the number of companies which expect to employ more unskilled labour over the next 12 months, underlining widespread concern that even with an expected 3 per cent growth rate this year the unemployment level will continue to rise. Unemployment is officially estimated at 33 per cent of the workforce, with up to 45 per cent of blacks out of work. Formal employment declined by 0.6 per cent last year.

Mr Parsons said he was concerned that despite the strong growth in fixed investment, buoyant car sales, improved domestic demand, and higher output levels, this was having no positive effect on employment. "This highlights another, more fundamental, threat to the process of transforming the economy - the spectre of jobless growth," he said.

South Africa

Business confidence index (1990=100)



Source: South African Chamber of Business

INTERNATIONAL NEWS DIGEST

Rabin set to win by a single vote

Israeli Prime Minister Yitzhak Rabin's Labour-led government was expected to survive defeat by a single vote in a fierce parliamentary debate on the recent peace deal expanding Palestinian self-rule to the West Bank.

Before the vote, expected early this morning, Mr Rabin made a concerted effort to recapture the political centre and defuse a rebellion inside his own Labour party by ruling out a Palestinian state and pledging to keep blocs of Jewish settlements in the West Bank.

Political observers said Mr Rabin was expected to scrape home with 61 votes to 59 in the 120-member parliament (a 60-60 vote would mean defeat) after turning the most crucial debate of his administration into a vote of confidence in his government and threatening Labour members who rebelled with expulsion from the party.

Despite Mr Rabin's threats at least two members of his Labour party were expected to vote against the government, leaving the fate of the coalition resting in the hands of a maverick centre right minister and another discontented Labour member.

Parliamentary approval of the peace agreement is expected to lead to a speedy first-phase release of Palestinian prisoners. Redeployment of Israeli troops out of Palestinian towns and villages is expected to get under way in mid-November, beginning with the town of Jenin. *Julian O'Sullivan, Jerusalem*

Kenyan bank payments revealed

Kenya's central bank paid out a total of Sh14.7bn (£167m) to unknown beneficiaries in 1993, the country's auditor-general disclosed in a report made public in Nairobi yesterday. In his long-awaited report, tabled for debate by parliament a few days after it recovered following the summer break, Mr D G Njoroge, the auditor-general, said he had not had access to documents indicating who received the payments, how they were made, "At the time of signing this report the necessary documents to support the payments have not been made available to facilitate audit verification."

The report was originally due to be debated during parliament's last session but was unaccountably delayed. The postponement triggered widespread speculation in Kenya that it contained revelations of financial malpractice. Kenya's scandal-tainted government has come under intense pressure from the international community to crack down on official corruption before a meeting with donors due in Paris next month. *Michela Wong, Nairobi*

Oil price down on Iraq report

Reports of possible Iraqi resumption of oil sales contributed to a fall in oil prices yesterday, with the November Brent blend crude down about 30 cents in late trading. The reports first surfaced on Monday in the Cyprus-based newsletter, Middle East Economic Survey, which has reliable Iraqi contacts. MEES said the acceptance of Resolution 986 approved by the United Nations Security Council in April and allowing \$1bn worth of oil sales every three months, Iraq has denied the report but UN sources said yesterday Iraqi diplomats had signalled President Saddam Hussein could agree to a one-time \$2bn crude oil sale. Given the increased economic hardship in Iraq and US resistance to any lifting of Iraqi sanctions imposed following the 1990 Iraqi invasion of Kuwait - at least not before the 1996 US presidential elections - Mr Saddam may reconsider his policy of accepting nothing short of a full lifting of sanctions. *Roula Khalaf, London*

Japanese seek to reassure worried economic partners

By William Dawkins in Tokyo

The Japanese government is to explain its attempts to bail out the ailing economy and contain the financial crisis to a meeting of worried economic partners over the weekend.

Mr Masayoshi Takemura, the finance minister, and Mr Yasuo Matsuoka, the finance minister, are to depart today for Washington to face their counterparts in the Group of Seven industrialised nations tomorrow, followed by an International Monetary Fund meeting next week. Japan's recovery prospects will be on the G7 agenda.

The Japanese delegation will seek to persuade G7 colleagues that Tokyo has at last put into place the conditions for a recovery from the longest eco-

nomie downturn - nearly four years - since the 1990s, and is able to assure the stability of a financial system burdened by an estimated ¥50,000bn (£313bn) of bad loans.

Mr Takemura, who yesterday called for a further "orderly reversal" in the yen's value, said he would have a private meeting with Mr Robert Rubin, the US treasury secretary, to explain Japan's economic policies.

The finance ministry's top international official, Mr Takatoshi Kato, will at the same time brief leading US and European bankers in Washington, in an attempt to assuage concern over the stability of Japan's financial system, aroused by three bank collapses in August, topped by last week's allegedly fraudu-

lent \$1.1bn (£700m) loss at Daiwa Bank. The doubts have, to Tokyo's alarm, caused foreign banks to charge a risk premium on loans to Japanese banks.

This is Tokyo's first opportunity to address a G7 gathering since the reduction in Japanese official interest rates to 0.5 per cent and a record ¥14,220bn fiscal stimulus package last month, followed by a cautious government endorsement of the use of public money to rescue weaker banks.

US officials have welcomed these stimulation efforts, but voiced concern that they may not be enough. The IMF, which estimates that the Japanese economy will grow by a mere 0.5 per cent this year, has called for tougher restructuring of insolvent banks.

Camdessus calls for improved economic data

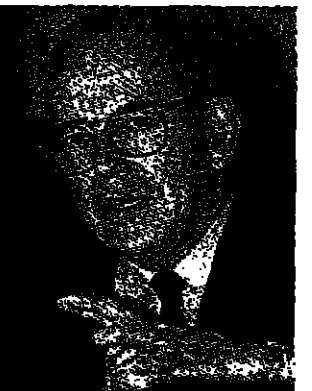
By Robert Chote, Economics Editor, in Washington

The International Monetary Fund's executive board has agreed a set of standards governing the quality of economic and financial statistics produced by its members. It hopes that the provision of better data would help prevent crises like that which overwhelmed Mexico at the turn of the year.

All 178 members would have to provide 12 categories of economic and financial data to the Fund under the plan, which will be discussed on Sunday by the finance ministers and central bank governors on its policymaking, interim committee. These data should be provided on a regular and timely basis, covering such topics as foreign exchange reserves, banks' cash ratios and central bank balance sheets.

Mr Michel Camdessus, the IMF managing director, said yesterday that this standard would be an absolute minimum requirement, and that countries would also be asked for data specific to their individual circumstances. Countries in line for IMF programmes would also have to give information on areas such as industrial production, wages and domestic credit. Mr Camdessus added that the Fund would put in place measures to encourage members to comply with the standard.

The executive board also proposes two sets of standards for data disclosed to the public. The general standard demands that after a short time-lag countries publish the 12 basic data categories provided to the Fund. But countries seeking access to international capital markets would also have to publish an extra four categories of data, probably including interest rate spreads on public



Camdessus: minimum requirement

sector debt and its currency composition and maturity.

Mr Camdessus said that the dates on which the 40 to 50 countries were planning to publish each piece of data could be posted on an electronic bulletin board run by the Fund. He hopes the system could be running early next year. The managing director also expressed support for proposals by the Group of Ten industrial nations to extend the credit lines through which the Fund can borrow from them if its own resources are insufficient to deal with crises like Mexico's. He said that it was "immensely important" to double the amount available under these credit lines to about \$55bn and that there were plenty of options about how to do so.

The G10 wants to leave the existing "general arrangements to borrow" intact and to create a parallel arrangement in which they and a number of other countries with big foreign exchange reserves would participate. But it is not clear whether this two-tier structure will offer enough influence to encourage them to take part.

RAND MINES LIMITED
(Incorporated in the Republic of South Africa Registration No 010095906)
RAND MINES

Proposed partial unbundling of the Company in terms of section 60 of the Income Tax Act, 1963, ("the Tax Act") ("the unbundling"), by way of a distribution in specie and a reduction of share premium in terms of section 84 of the Companies Act, 1973, ("the Companies Act")

1. Introduction

UAL Merchant Bank Limited is authorised to announce that, further to the announcement of Thursday, 20 July 1995, the board of directors has determined the terms of the unbundling, details of which follow:

2. The unbundling

The share distribution will comprise 77 533 586 Ingwe Coal Corporation Limited ("Ingwe") shares held by the Company. In terms of the unbundling, ordinary shareholders registered on Friday 8 December 1995 will receive 130 Ingwe shares for every 100 ordinary shares held in the Company, by way of a distribution in specie.

Fractional Ingwe shares due to ordinary shareholders as a result of the share distribution will be aggregated and sold on The Johannesburg Stock Exchange ("the JSE") for the benefit of the ordinary shareholders concerned. The cash proceeds arising from such sale, net of costs, will be distributed to the ordinary shareholders entitled thereto.

Following the implementation of the unbundling, the Company will still have a 10% interest in Ingwe, comprising 31 516 248 shares. Approximately 4.5 million of these shares, which can be disposed of without incurring a tax liability, are being retained in order to finance the settlement of the Company's liabilities. It is the intention of the board of directors of the Company subject to the then prevailing legislation and after the settlement of any liabilities, to distribute the then remaining Ingwe shares when they cease to be taxable after 30 September 1996. The listing of the Company's ordinary shares on the JSE and the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("LSE") will be maintained until after the remaining Ingwe shares have been distributed. The unbundling will not affect the number of Rand Mines ordinary shares held by each shareholder.

The effective date of the unbundling will be Monday, 11 December 1995.

3. Financial effects of the unbundling

3.1 Financial effects of the unbundling on an ordinary shareholder

The theoretical market value effect for an ordinary shareholder is illustrated in the table below:

	Before unbundling 100 Rand Mines shares (Rand)	After unbundling 100 Rand Mines shares (Rand)	130 Ingwe shares (Rand)	Increase (%)
13 July 1995†	4,000	692*	3,872	9.1

†The last day on which both Rand Mines and Ingwe shares traded before 20 July 1995, being the date on which the initial cautionary announcement was published.

*The actual market value will depend on the price at which Rand Mines ordinary shares will trade after the unbundling has taken place.

3.2 Financial effects of the unbundling on the Company

The pro forma financial effects on the earnings per share for the year ended 30 September 1994 had the unbundling been implemented at 1 October 1993 and the pro forma net asset value of the Company had the unbundling been implemented at 31 March 1995, are illustrated below:

	Before the unbundling	After the unbundling	% Increase (Decrease)
Earnings/(loss) per share (cents)	63.0	(1.8)	(102.8)
Net asset value per share (cents)			
- Investments at book value	990	67	(93.2)
- Investment at market value	4218	773	(81.7)

The earnings per share for the financial year ended 30 September 1994 has been used in the above illustration as the use of earnings per share for the six months period to 31 March 1995 would be misleading.

The pro forma decreases in earnings per share and net asset value per share are due to the share distribution comprising 78.3% of the Company's investment in Ingwe. Accordingly, the earnings and net asset value in respect of the Ingwe shares to be distributed will in future accrue directly to the ordinary shareholders of the Company.

4. Conditions precedent to the unbundling

It is anticipated that the unbundling will become unconditional on Wednesday 6 December 1995, which is the date on which it is expected that the following conditions precedent will have been fulfilled and carried out:

- a general meeting of the Company's ordinary and preference shareholders convened to be held on Monday, 6 December 1995 will have passed all the special and ordinary resolutions to be proposed thereat; and
- the Supreme Court of South Africa (Witwatersrand Local Division) will have confirmed the reduction of the Company's share premium in terms of section 84 of the Companies Act, and will have granted an Order to that effect; and
- all resolutions passed at the general meeting referred to in 4.1 above which are special resolutions, together with the Order of Court referred to in 4.2 above, will have been registered by the Registrar of Companies.

5. Taxation considerations

The Commissioner for Inland Revenue has approved the transaction as an unbundling transaction in terms of section 60(2) of the Tax Act.

6. Last date for registration

A circular, which is subject to the approval of the JSE, containing full details of the unbundling and incorporating a notice of a general meeting of the Company's ordinary and preference shareholders will be posted to shareholders on or about Friday, 13 October 1995.

7. Circular to shareholders and general meeting

An announcement will be published on or about Tuesday, 7 November 1995 reporting on the outcome of the general meeting.

8. Further announcement

An announcement will be published on or about Tuesday, 7 November 1995 reporting on the outcome of the general meeting.

Merchant Banker:
UAL Merchant Bank Limited
100 Main Street, Johannesburg 2001, Republic of South Africa

Registered Office:
Randolf House
31 Chaplin Road, Illovo 2196
(PO Box 7861 Sandton 2148)
Republic of South Africa

United Kingdom Secretaries:
Viaduct Corporate Services Limited
19 Charterhouse Street
London EC1N 8QP
6 October 1995

مركز الأعمال

Fraud in Italy's pension system on 'huge scale'

By Robert Graham in Rome

The Italian government's crackdown on fraud in its deficit-ridden pensions system has uncovered a huge level of abuse.

In Italy over 1.5m people receive invalid pensions costing L16,000bn (\$10bn) a year. The Treasury revealed this week that following checks it had cancelled 4,000 pensions in the first six months of the year, equivalent to 40 per cent of all those investigated.

Awarding fake invalid pensions has been a long-recognised form of political patronage, especially in the south. Doctors have also been prepared for a fee of L18m-L20m to sign the necessary certificates. Officials even suspect that some genuine invalids have been obliged to pay for their certificates.

This week the government revealed that computer cross-checks between invalids registered with the ministry of interior and those in the pension records of INPS, the state pensions authority, had shown

Mr Silvio Berlusconi, former Italian prime minister, yesterday accused investigators who want him tried for corruption of waging a political hate campaign against him, Reuter reports. On Wednesday a prosecuting magistrate told a committal hearing Mr Berlusconi must have known of alleged bribes by companies in his Fininvest business empire to tax police. He is accused of complicity in the payment of alleged bribes totalling L380m (\$236,000) to tax police in return for lenient audits between 1988 and 1991.

15,000 people to be receiving two pensions, one of which had been illegally concealed at a total annual cost of L1,000m.

Checks have also begun on a selective basis among those public sector employees recruited as handicapped. Inspectors have focused on 2,000 invalids taken on by the ministry of posts in the period 1990-92. One minister in five months in 1992 let in 1,048 invalids of whom 38 per cent were in Sicily and 24 per cent in the Naples area. A medical control of 100 of these postal employees in recent days has revealed no less than 94 to be perfectly healthy.

Many had done military service, some were key players in local football teams and most were in their mid-thirties. One fit person even claimed he had been cured at Lourdes but had kept quiet about his altered status. At least 250 out of a sample of 2,000 in the posts ministry are under investigation and 60 already face charges. On Wednesday mysterious fire occurred in one of the Rome offices of the ministry, housing documents relating to the employment of handicapped.

A junior government minister estimated this week that at least 30,000 people in the civil service had been taken on handicapped with irregular documents.

The number was so large, he said, that it would probably be impossible to carry out large-scale dismissals.

Increase in gross domestic product falls below the government's projection of 3%

Growth slowdown takes Italians by surprise

By Robert Graham in Rome

The Italian economy has begun to cool off more quickly than expected and gross domestic product is now growing at less than the official projections of 3 per cent for the year.

During the second quarter of 1995 GDP declined 0.4 per cent against the first three months of the year, according to figures released yesterday by Istat, the state statistics institute. On an annualised basis, the economy is growing at 2.9 per cent compared to 4.1 per cent in the first quarter.

Economists at Confindustria, the industrialists' confederation, expressed surprise yesterday at the sharpness of the deceleration. Only last month Confindustria's autumn forecasts indicated GDP would end

The Italian senate yesterday overwhelmingly endorsed legislation to set up regulatory bodies for the country's utilities, bringing the tortuous process of privatisation one step closer, writes Robert Graham. The bill now returns to the lower house for what is hoped will be a final reading after more than 18 months' debate. The process has been delayed by politicians of all parties seeking to retain a large measure of control over the three state giants, Stet (telecoms), Enel (electricity) and Eni (energy).

the year growing 3.2 per cent. The government's 1995 budget, presented this week to parliament, is based on a 3 per cent growth estimate.

Economists noted yesterday that cooling off had occurred despite a continued strong demand for Italian exports and sustained levels of domestic investment. However, an Istat statement said the slowing

The government had to call a confidence vote in the senate to head off more than 1,000 amendments. The bill envisages two authorities - one for energy (gas and electricity) and the other for telecoms - modelled on the experience of other EU privatisations, notably in the UK. If the confidence vote is employed in the lower house, the bill could be passed before the end of the month. But this is certain to be followed by a long and acrimonious debate over who is to be appointed to run the two authorities.

down was in line with the behaviour of most other G7 economies.

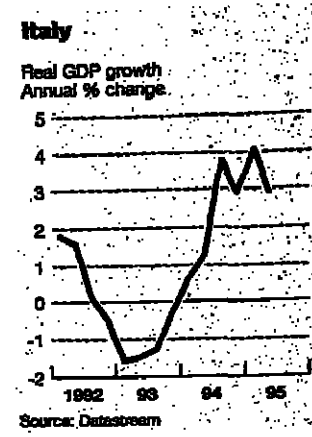
The main element behind the slower growth was a fall in domestic consumption. This suggests Italy is now seeing a phenomenon similar to other European countries, especially the UK, whereby consumer confidence remains patchy. The broad-based economic

recovery of the past year has failed to generate the necessary feel-good factor among consumers. Economists also said yesterday the decline in real wages of the previous two years, combined with cuts in public spending, played a part. Exports grew an impressive 4.2 per cent - a little more slowly than in the first three months but still almost twice

as fast as imports. Italy had a trade balance of L15,000bn (\$9.3bn) at the end of the second quarter. Investment in capital goods rose 4.9 per cent. There was also evidence of a modest pick-up in the depressed construction sector.

Against this, consumer non-durable goods increased only 0.5 per cent while consumer durables dropped 0.4 per cent. The containment of consumer spending has been reflected in the gradual downward trend in inflation, though still high at an annualised 5.8 per cent on preliminary September data.

The latest surveys of business opinion compiled by Confindustria show the level of domestic and export orders began to tail off in April and stocks are being run down. The prospects of a more diffi-



cult second half of the year and lower growth in 1996 help explain the hostile reception given to some of the measures outlined by the government in the 1996 budget.

Murder attempt unites worried Macedonians

By Laura Silber in Skopje

When the Macedonian parliament voted to change its controversial national flag yesterday, most Macedonians were waiting for news about their president, Mr Kiro Gligorov, who was fighting for his life after an assassination attempt.

By an overwhelming majority, the Saboran, as the parliament is known, adopted a new pennant, with rays reminiscent of the Japanese rising sun flag, in an important step towards settling a bitter dispute with Greece, its southern neighbour.

Many of Macedonia's 2m inhabitants worried about their future and that of Mr Gligorov, injured by a car bomb on Tuesday. "God only knows what will happen to this country. Until the attempted murder, everyone was thinking now things would go well. Then, everything changed," said Mr Dija Dimitrovski, a 25-year-old resident of Skopje, the Macedonian capital.

There is a long list of potential suspects. In this land of conspiracy theories, one official suggested that even if the police found out who had set off the bomb, they may never



Out with the old (above) and in with the new. Macedonia hoists a peace pennant



uncover who ordered the assassination.

Mr Gligorov, 78, had managed to steer the country away from conflicts with its other jealous neighbours, Serbia, Bulgaria and Albania, which in the past have also undermined attempts by Macedonia to assert a separate identity.

"The bomb exploded just as everything was on the verge of being solved regarding Macedonia's destiny," said a commentator in the leading newspaper, Nova Makedonia. "To eat people alive is a tradition in Macedonia since time immemorial. The history of the Balkans is filled with examples

By adopting a new flag, the parliament took an important step towards settling a bitter dispute with Greece

of political cannibalism." But Mr Gligorov had been a political survivor, a veteran of nearly five decades in the treacherous world of Balkan politics. Under his stewardship, Macedonia in 1991 was the only republic to break away from Serb-dominated Yugoslavia without war. "We were scared about the possibility of war for four years. Now we are tired of it," said Mr Vladimir Petreski, a Macedonian journalist.

The opposition and governing coalition have unanimously condemned the assassination attempt, and Mr Stojan Andov, acting president and



speaker, yesterday pledged to go forward with the US-brokered accord with Greece endorsed last month by Mr Gligorov.

The agreement calls for Athens to lift an 18-month economic embargo against its northern neighbour, Greece first imposed an economic and political embargo four years ago in protest against the use of the name Macedonia and the 16-pointed golden star of Vergina emblazoned on a red flag on the grounds that they are exclusively Greek property.

In addition, Skopje must publicly state that several clauses in its constitution con-

cerning the Macedonian minority abroad do not imply territorial designs on Greece.

In the Balkans, where politics often seem a strange and sinister kaleidoscope of shifting alliances and betrayal, Mr Gligorov has struggled to end simmering disputes within the country. He has worked to broker a fragile coexistence between the Macedonian Slav majority and the country's large ethnic Albanian community.

The country's political factions range from the restive ethnic Albanians to VMRO, the ultra-nationalist Internal Macedonian Revolutionary Organisation. Known as Europe's oldest terrorist group, VMRO has often denounced Mr Gligorov and his government as traitors to the Macedonian cause.

A medical team, which includes experts from former Yugoslavia, Greece the UK and the US, yesterday said Mr Gligorov, who has already undergone brain surgery and been operated on to save his sight, was in stable condition.

The official said Mr Gligorov stood a good chance of surviving. But it remained in serious doubt whether he would be able to resume office. A power struggle not long away, the

country's leaders yesterday put on a rare show of togetherness. The obvious contenders for his position are Mr Andov, a former Communist technocrat, who became acting president under the Macedonian constitution.

The 33-year-old Mr Branko Cervenkovski, the prime minister, is unable to stand as the constitution demands candidates be at least 40.

"It is, however, obvious that attempts to destabilise Macedonia have failed," said Mr Saso Ordanoski, head of Macedonian television, yesterday. "Everything is functioning from the army to the television. Everyone is focused on promoting stability."

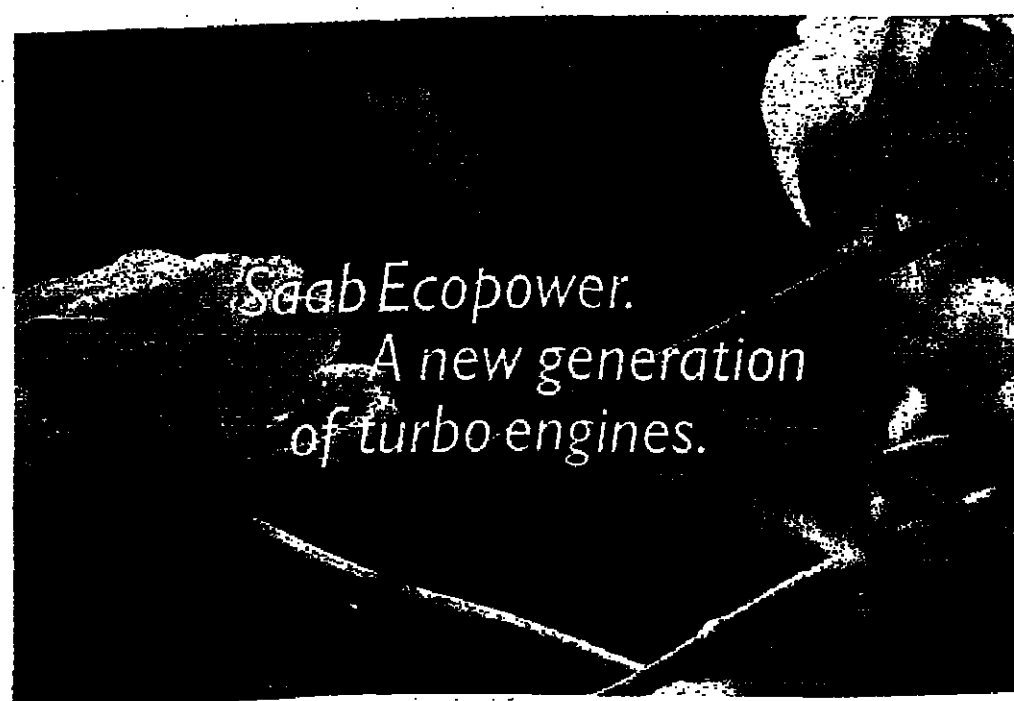
The agreement with Greece is due to be formally ratified on Monday. Talks mediated by the UN on changing the name of Macedonia are expected to continue in New York.

A commentary published yesterday in Nova Makedonia asked: "Did it take so much courage to admit that Macedonians will not lose their identity if they change their flag. It has been done so many times in history. Yet with every new flag, Macedonians remained Macedonians. Macedonia remains Macedonia."

SAAB
beyond the conventional



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the fuel and recycling exhaust fumes into the engine, the turbo burns the fuel more efficiently, generating more power and less pollution. So the same system that delivers superior overtaking on the open road and less gear changing in the city is also friendlier to the environment. Something both the driving enthusiast and environmentalist in you will appreciate.

Millions subjected to smog dangers

By Caroline Southey in Luxembourg

Millions of Europeans were subjected to dangerous levels of summer smog this year, with serious consequences for their health and for the environment.

In May, June and July, member states recorded over 2,800 cases where ozone pollution levels exceeded limits set down by the European Union and based on World Health Organisation standards. Dangerously high pollution levels were recorded in over 75 cities with populations of more than 200,000.

Data to be handed to EU environment ministers today show the levels recorded this year matched the figures released last year.

"The evidence is quite dramatic," an EU official said. "The fact we have the same trend two years in a row confirms the issue is serious. It shows 1994 was not an accidental year."

The statistics are likely to prompt calls for tighter controls on air pollutants across Europe. EU officials hope the data will provide new impetus to cut air pollution levels across Europe.

Action was needed at all levels: EU, national, regional and local. "The mode of transport people use is a key, because the contribution to ozone pollution from traffic is high," an EU official said.

Ozone pollution is made up of the same gases as the ozone layer. While serving as a protective layer against the sun high in the atmosphere, it becomes a dangerous pollutant when found at ground level in high concentrations and mixed with pollutants. Ozone pollution tends to be worse in summer because warm weather speeds the chemical reactions which create it.

The figures are part of an EU-wide alert system put in place last year under which member states have set up monitoring stations to measure ozone pollution levels. The regime obliges the states to submit the data to the EU Commission for analysis.

The system also obliges member states to pass the information on to the public if thresholds are exceeded and, in extreme cases, to issue warnings if particularly high levels of pollution are recorded.

EU environment ministers today will agree a framework setting out guidelines for drawing up new laws on air quality, and improving existing ones. The plan is to set limits for 13 pollutants, including ozone pollution and those pollutants which generate ozone pollution such as nitrogen oxide and hydrocarbon.

The two main parties in Germany's centre-right coalition agreed yesterday to change the system of motor taxes to reduce pollution and drive cars and motorcycles without catalytic converters out of circulation by the year 2000, writes Peter Norman in Bonn.

Declaring that "we must finally get the stink out of the streets", Mr Peter Hintze, the secretary-general of the Christian Democratic Union, said it was planned that by 2000 it would no longer be possible to register cars and motorbikes without catalytic converters.

The CDU and its Bavarian sister party, the Christian Social Union, also planned to replace the present system of car tax based on engine size with one that linked payments to pollution.

EU urges better image of women

By Caroline Southey in Luxembourg and Diane Summers in London

European Union social affairs ministers yesterday passed a resolution calling on member states to promote a more positive image of women in the media and advertising.

The controversial resolution, widely condemned by newspaper and advertising bodies, was agreed by EU ministers at a meeting in Luxembourg, but the Danish government abstained on the ground that it compromised freedom of expression.

Ministers were forced to confront two sensitive issues, press freedom and the stereotyping of women, in voting on the non-binding resolution. Its intention is to encourage member

states to review whether initiatives should be taken to counter gender stereotyping.

The resolution calls on member states to promote a "diversified and realistic picture of the skills and potential of women and men in society". It says they should implement measures that "ensure respect for human dignity and an absence of discrimination on grounds of sex".

It also calls on advertising agencies and the media to "recognise the negative effects which stereotypes based on sex may have" and to implement "voluntary self-regulatory codes".

Ms Patricia Mann, vice-president international of the J. Walter Thompson agency, said it would be impossible to secure agreement within individual

European countries, let alone across the EU, about definitions of positive male and female imagery.

She cited the example of a perfume advertisement, fiercely debated at a Council of Europe seminar, featuring a beautiful woman on a balcony looking out towards the sea.

Ms Mann said that of two highly respected female psychiatrists from Greece and Spain, one saw it as a "strong image of an independent woman, while the other thought it was an archetypal image of a woman who was trapped into being feminine and unable to escape her home".

The resolution was promoted by the Spanish government, which said there was a willingness to change "old habits" in Spain, "where women have been

discriminated against". EU officials said Denmark made clear it did not oppose the sentiments in the resolution, but could not support the measures.

"The Danish minister said she understood the feelings of the other countries, but it was important for Denmark not to vote for it because of its commitment to freedom of expression which is written into the Danish constitution," one said.

A UK official said Britain "would never have agreed to anything if it had imposed new obligations on member states or impinged on press freedom". "We support the non-binding resolution which encourages other member states to adopt the kind of measures we already have in the UK."

Finnish president battling for Europe

Norwegians voted No and show little sign of regretting it. Swedes voted Yes, but have since become Eurosceptics. In Finland, however, the clear majority registered a year ago in favour of joining the European Union has, if anything, solidified - to the evident satisfaction of President Martti Ahtisaari.

"It has been a good start for us. And that is not just the president bragging about his country's performance," Mr Ahtisaari declares with a laugh in his office in the striking new lakeside presidential residence on the outskirts of Helsinki.

Recent polls show that 60 per cent of Finns support EU membership, compared with the 57 per cent majority in last October's referendum and a contrast to neighbouring Sweden where elections to the European parliament last month saw anti-EU parties make big gains.

Not only are Mr Ahtisaari, the country's senior foreign policymaker, the "rainbow" coalition government of Social Democrats, Conservatives, leftists and Greens, most of industry and the trade unions at ease with membership of the EU. President, government and central bank want Finland to be among the first countries to join the final phase of economic and monetary union.

Mr Ahtisaari cites the 8 per cent fall in food prices since Finland joined in January, the EU funds available to support the country's remote regions, and the prominent role played by Finnish officials in the European Commission as reasons why Finns remain Euro-

Hugh Carnegie talks to Martti Ahtisaari for whom Emu holds no fears

phile. But there are deeper reasons, too. Finland, which survived decades of awkward, sometimes bloody, relations with the Soviet Union following independence from Moscow in 1917, saw joining the EU as a priceless opportunity to reinforce its security - a view that has not changed.

A depression in the early 1980s also encouraged Finns to regard membership as vital for economic stability and competitiveness, Mr Ahtisaari says. "I think the situation has made the population more sensitive to the reforms that are needed."

The president has backed Prime Minister Paavo Lipponen's tough budget measures aimed at ensuring Finland meets the fiscal and monetary criteria for Emu. "We are going to be ready."

Joining Emu would be a break from the past for Finland which, like Sweden, has used devaluation as a core instrument for sustaining growth for most of the past three decades. The cost was high inflation, but it kept vital export industries expanding. Finland has returned to vigorous, low inflationary growth in the past 18 months, but unemployment remains at 17 per cent of the workforce and will stay high for years to come. Nevertheless, Mr Ahtisaari is

adamant - in the face of emerging scepticism within government, opposition and unions - that Finland should lock into Emu. He also stands with those arguing that the timetable and criteria should be strictly adhered to. "I think it is an incentive for everybody to try to meet the targets. If you don't have that, no one makes the hard decisions that are needed."

The Finnish spirit of co-operation in Europe extends to supporting EU entry for the countries of eastern Europe. It also extends to Helsinki's approach to next year's Intergovernmental Conference.

Mr Ahtisaari is careful not to specify how far Finland might go in extending the principle of majority voting, or diluting the powers of smaller nations. But he is clear that he will be co-operative. "If we are warmly advocating further expansion for economic and security and stability reasons, then we also have to be prepared to be constructive in the debate. If everyone was to go to the Union conference with absolutely fixed positions, where would we go? We might as well stay home."

Probably the most difficult issues for Finland lie in the EU's evolution of a common foreign and security policy, because the country is holding to its neutral stance. Helsinki has not become a full member of the Western European Union, the EU's fledgling defence arm. It still has a wary eye fixed on Moscow and is nervous of Russia's opposition to NATO expansion.

Mr Ahtisaari talks of "broader concepts of security",



Ahtisaari: wants Finland to be at forefront of monetary union

where the emphasis is on building "common basic values" rather than military alliances.

He makes clear that Finland is far from enthusiastic about the desire of its neighbours Estonia, Latvia and Lithuania to join Nato. But he points out: "They realise perfectly well that our assistance is limited to reinforcing the democratic system and their newly gained independence." But this is not the whole story. Mr Ahtisaari has stirred a heated debate at home because of the way in which the issue of security pol-

icy remains open.

In the 20 months since he was elected to his six-year term, Mr Ahtisaari has presided over Finland's emergence from its worst post-war recession and its historic accession to the EU. The process of change continues, and a growing debate on Emu and security policy in recent weeks suggests the unity of purpose is beginning to fragment.

But he is in no doubt the country is in better shape to cope than when he took office. "We are on a good track, as the British would say."

Portugal's PM-elect fills key posts

By Peter Wise in Lisbon



Portuguese prime minister-elect Antonio Guterres (right) jokes with outgoing premier Anibal Cavaco Silva yesterday

Mr Antonio Sousa Franco, an independent who has rigorously vetted government spending as head of Portugal's audit court, was yesterday named finance minister in the new Socialist government.

He was appointed by Mr Antonio Guterres, the prime minister-elect, with three other key ministers in a government that will not be named in full until next week, after the final counting of votes in last Sunday's general election. The Socialist party, expected to fall four seats short of an overall majority in parliament, is not likely to take office until early November.

Mr Daniel Bessa, an academic who helped write the Socialist party's economic programme, was named to the new post of economics minister, covering industry, energy,

trade and tourism - areas previously divided between two ministries.

The new foreign minister will be Mr Jaime Gama, a long-standing Socialist leader. He was foreign minister for 1988-1994, and was also in charge of the centre-right Social Democrats (PSD).

The PSD was defeated in the election after eight years in office with an absolute majority.

Mr Antonio Vitorino, one of Mr Guterres's closest advisers and a deputy in the European parliament, was named as defence minister.

Mr Sousa Franco, 53, who was a PSD member from 1974-79 before becoming an independent, was a surprise choice as finance minister.

Unlike him, most of the core ministers were drawn from among Socialist party stalwarts. He was appointed

president of the audit court by the PSD in 1986, establishing a reputation as a stern overseer of public spending who resisted government pressure to turn a blind eye to non-budgeted spending and poor accounting.

Portugal's biggest challenge is to claw back a budget deficit currently running at more than 5 per cent of gross domestic product to 3 per cent by 1997, as the Maastricht treaty criteria require.

Financial markets in Lisbon were closed for a bank holiday yesterday. But analysts expected a warm response from business leaders and investors to the appointment of Mr Sousa Franco.

"He knows the inner workings of the budget back-to-front and can be expected to bring a firm, capable hand to public finances," said a London-based broker.

EUROPEAN NEWS DIGEST

Turkish PM signs pact

Mrs Tansu Ciller, Turkey's caretaker prime minister, said last night she had completed negotiations to form a new government supported by two small parties, one from the far right and another from the centre left.

Mrs Ciller has signed a seven-point protocol with Mr Alparslan Turkes, leader of the Nationalist Action party (MHP), and Mr Bülent Ecevit, head of the Democratic Social party (DSP), also indicated he would support the government. However, Mrs Ciller's conservative True Path party (DYP) has only 182 MPs and would still need the backing of at least six other MPs to secure a majority in parliament.

Mrs Ciller agreed to Mr Turkes's demand to negotiate an end to a three-week strike by 300,000 public sector workers. They are demanding pay increases which the government says will breach its strict spending controls. Mr Turkes also said he would refuse to support relaxation of Turkey's draconian anti-terrorism law. European Parliament members have warned they will reject a vital trade pact between Turkey and the European Union unless this law is reformed. Analysts last night were unsure whether Mrs Ciller's latest attempt to form a government could work. John Barham, Ankara

Progress on EU works councils

The European Parliament has succeeded in modifying the European Commission's social action programme so as to strengthen workers' rights.

The most controversial part of the draft compromise agreement between Mr Padraig Flynn, the social affairs commissioner, and the Socialist-dominated parliament, will speed up negotiations between employers and unions on creating consultative works councils in all companies with more than 50 employees. The agreement will be discussed next week by the Commission and it is expected to lead to approval of the social action programme by the parliament in November.

Employers and unions will be expected to try to reach a voluntary agreement on the proposal to create consultative works councils but the agreement says that "pending the outcome of those consultations, the Commission will not at this stage withdraw the so-called Vredeling proposal for a directive". That controversial measure would have forced the councils on companies but was shelved by the Commission in 1993 in the face of stiff opposition. Robert Taylor, London

UK opposes unified air traffic

Air traffic control should remain in the hands of nation states rather than being transferred to a single European institution, Sir Christopher Chataway, chairman of the UK's Civil Aviation Authority, said yesterday. Sir Christopher told the European Aviation Club in Brussels that while there was increased scope for co-operation between air traffic control authorities, he could find "no convincing argument to promote the case for a European international institution as the single system responsible for Europe's air traffic control system".

Sir Christopher said that the 17-member Eurocontrol organisation played an important role in harmonising standards and regulating air traffic flow. He said, however, that the extent of co-operation on air traffic control was best left to national governments. He said: "This is a collection of very complex businesses operating in 34 different and highly political environments. It is unlikely that the political and management genius exists to run all these organisations as a single entity." Michael Skaggs, London

Brussels in Lisbon bridge protest

The European Commission has written to the Portuguese government warning that it believes a contract to widen and reinforce the suspension bridge over the Tagus river in Lisbon may have been awarded unfairly.

Brussels is worried that strict rules on public tenders may not have been followed in granting the contract for the Ponte 25 de Abril to a German-led consortium of DSD-Diinger Stahlbau, American Bridge, Weiss & Freytag and Teixeira Duarte. The price tendered by the group was \$265.9bn (£132m), the highest bid. The defeated consortium led by Soares da Costa, Portugal's biggest construction company, immediately complained that the award did not go to the lowest priced tender. Emma Tucker, Brussels, and Peter Wise, Lisbon

Bank of Finland cuts key rate

The Bank of Finland yesterday cut its key short-term interest rate, giving a swift seal of approval to last week's landmark national wage accord to hold inflation down.

The reduction in the bank's tender rate from 6.0 per cent to 5.5 per cent should boost the effort to fight unemployment, which at 17 per cent is Europe's second highest jobless rate. Also yesterday Finland's current account surplus widened to Fm1.8bn (\$374m) in August from Fm1.1bn in July. Finland has kept inflation below 1 per cent in 1995, even though the economy is growing by around 5 per cent in a powerful rebound from deep recession between 1991 and 1993. The centralised wage accord between unions and employers provides for an average 1.8 per cent pay rise in November and a further 1.3 per cent in October 1996.

This accord should help Finland meet its 2 per cent inflation target. Christopher Brown-Humes, Stockholm

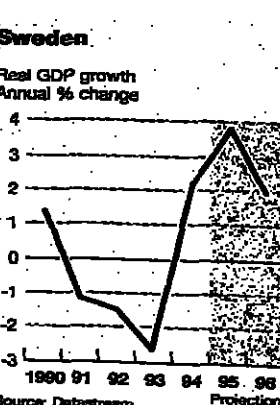
Danish banker's currency pledge

Denmark will seek a mutually binding agreement to link the Krone to the common currency area formed when European economic and monetary union is implemented, Mrs Bodil Nyboe Andersen, governor of Denmark's central bank said yesterday to the British Import Union.

As a committed non-participant, she said that Denmark would nevertheless pursue an economic policy for meeting the benchmark of good economic policy behaviour which the convergence criteria have become. Hilary Barnes, Copenhagen

ECONOMIC WATCH

Warning on Swedish growth



Source: Datastream

The Swedish economy will show faster than expected growth in 1995, but the expansion rate will fall off sharply next year, according to the government's National Economic Research Institute. It said GDP would rise by 3.9 per cent in 1995, compared with its June forecast of 2.6 per cent and a prediction of 3.5 per cent growth by the finance minister, Göran Persson, earlier this week. However, the institute said growth would slow to 2.0 per cent next year, against a June forecast of 2.9 per cent. The institute said a strong increase in exports and a big rise in industrial investment underpinned its revised forecast. But it warned that both would grow more slowly next year while the domestic economy remained relatively weak.

The institute said Sweden was likely to meet the budget deficit criteria for participation in European economic and monetary union by 1997. However, it would not meet a strict interpretation of the public sector debt criteria until the year 2003.

■ Danish unemployment fell to a seasonally adjusted 10.3 per cent in August from 10.5 per cent in July.

■ Turkey had a provisional current account deficit of \$25m in July against a \$43m deficit in June, and compared with an \$800m surplus in July 1994.

Ukraine sell-off stalls despite west's help

Everyone is looking for someone else to blame for a flawed reform plan, writes Matthew Kaminski

In a regional government hall in the western city of Zhytomyr, Ukraine launched its mass privatisation programme in January to a chorus of optimism from western advisers. Many flew in from Paris and Boston, funded by millions of dollars in US and European aid.

Ten months later privatisation is a disappointment. And officials in Washington, where the foreign aid budget is under siege on Capitol Hill, are questioning the wisdom of a large investment in a programme that, from the start, may have been flawed.

The Kiev government targeted 8,000 medium and large enterprises to sell this year. It came up with a scheme that gave Ukrainians certificates to invest in state companies which the government puts up for sale each month. Auction centres were opened in all regions, and the western community underwrote training, advice and publicity costs.

The US Agency for International Development (USAID) allocated \$44m for mass privatisation in Ukraine this year; the European Union gave \$10m; the World Bank estimates \$2m-\$4m of

The Group of Seven industrialised countries want to conclude an agreement with Ukraine to close the Chernobyl nuclear power plant by the end of this year, according to a senior US administration official, writes Matthew Kaminski in Washington.

The official said the west could allocate \$1bn-\$2bn to close the stricken Chernobyl station, but Ukraine must seek additional private sector investment as well. He added that the G7 had come up with a comprehensive strategy to decommission the plant and resolve Ukraine's energy crisis.

Ukraine wants an estimated \$4bn in western aid to replace Chernobyl with a gas-fired power station before a promised shutdown in 2000. "Ukraine's idea that all they need is \$4bn will not resolve this," the US official said. "This isn't going to happen only through government aid."

A \$25m structural adjustment loan went directly for privatisation. After declaring 8,000 large and medium-sized state enterprises will be sold this year, Ukraine has privatised only 235 companies in the first six auctions, according to an independent account. Ukraine's state property fund does not release statistics.

More than 95 per cent of the larger enterprises are still in the state sector. Small-scale privatisation has been similarly slow, keeping more than 65 per cent of mostly retail outlets out of private hands. Critics allege that western consul-

tants in Kiev - stuck with a complex and expensive scheme conceived under the previous anti-reform president, Mr Leonid Kravchuk - took an overly conservative approach.

The certificates are not transferable between people and thus do not operate like proper shares. Managers and workers do not have enough carrots and sticks to participate in the scheme. The companies were also overpriced.

As a result, the new investment houses - to which many people gave their certificates to invest - held on to their certificates and few of the companies that came up for sale were fully subscribed in the month-long auctions.

"Privatisation has yet to break state-run monopolies, especially on the distribution side," said Mr Scott Carlson, president of the Western NIS enterprise fund, which is seeking to invest in the region.

An official involved in privatisation claims that "USAID let the programme begin with basic flaws built in - and that's a big reason why it's failing". However, western officials in Kiev put the blame on Ukraine's leadership for failing to show the necessary political will.

"The consultants get a bum rap," said Mr Daniel Kaufmann, Kiev representative of the World Bank. "Implementation has proceeded more slowly than expected, but it's a show of strength to say it's not working, and push for more."

In a recent letter to Prime Minister Evhen Marchuk obtained by the FT, the Kiev mission chiefs of the World Bank, the EU and the US development agency warned that laggard privatisation put market reforms "in jeopardy". Privatisation is "too complicated, unclear, expensive and

slow". It said, "Tangible progress is needed to assure USAID that its financing of the auction centre system should continue."

To get back on track and meet privatisation targets next year, the three officials urged the government to give the effort higher priority. They were particularly concerned about a proposed law effectively making agro-industrial companies, about half the 8,000 enterprises expected to be sold and an important export industry, ineligible for privatisation. The conservative parliament, under pressure from a strong industrial lobby, earlier this year put 6,100 companies on a hands-off list.

In Washington last week Mr Marchuk gave US and World Bank officials assurances that reform would be pushed from the top. A US official said USAID planned to continue financial support for Ukraine next year.

But its future remains in doubt since US Republican senator Jesse Helms wants to pare, then fold the beleaguered aid agency into the State Department. A vote may take place in the coming weeks.

مكتبة الوطن

INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

Alcatel Alsthom faces FF25bn loss

Mr Serge Tchuruk, chairman of Alcatel Alsthom, yesterday confirmed the French telecoms, transport, and engineering group could suffer a loss of up to FF25bn (\$3bn) this year as a result of his radical restructuring programme. However, he said the group would record a profit in 1996. He had previously forecast a return to a satisfactory level of profits in 1996.

The forecast heavy losses, expected to be among the biggest for a French company, are due to restructuring provisions estimated at FF10bn-FF12bn, and a similar amount of depreciation charges. These come on top of a poor trading performance, notably by the group's telecoms division.

Yesterday, Alcatel's shares fell FF17.5 to FF437.4.

The impact of the shake-up will be partly offset by disposal of assets. Mr Tchuruk has said he aims to raise about FF10bn from the sale of non-core assets, prompting speculation about the unwinding of the group's investment portfolio and cross-shareholdings. These include a stake of about 2 per cent in Fiat of Italy, an investment which Mr Tchuruk indicated was under evaluation.

John Riddling, Paris

Aker surges 80% to Nkr643m

Aker, the Norwegian oil, cement and technology group, yesterday reported an 80 per cent jump in pre-tax profits from Nkr368m to Nkr643m (\$103m) in the first eight months. Better results from cement and building materials activities and a Nkr131m gain on the sale of shares in Saga Petroleum more than offset lower profits from the group's oil and gas technology unit.

There was also a much better performance from Norwegian Contractors, an offshore engineering and construction company which is being wound up as part of a broader restructuring. The shake-up in August was partly designed to protect Aker's main units from a Nkr2.3bn lawsuit it is facing over the sinking of an offshore gas platform it built in 1991. Earlier this week Aker agreed to merge its cement and building materials business with those of Sweden's Euroc.

Group sales fell from Nkr11bn to Nkr9.6bn but operating profits rose from Nkr41m to Nkr69m. Aker said cement and building activities were ahead but its oil and gas unit full-year figures would be lower.

Christopher Brown-Humes, Stockholm

Australian buy for Walter-Bau

Walter-Bau, one of Germany's biggest construction companies, yesterday bought a 75 per cent stake in CC Concrete Construction, the second largest Australian construction company. The group would use this as a way into the fast growing Asian construction market. CC Concrete Construction had sales last year of A\$850m (US\$649.7m) and is well represented in Thailand and Malaysia, Walter said.

Walter said it hoped to benefit from the construction boom expected ahead of the Sydney Olympic Games in 2000.

Holzmann and Hochtief, Walter's two big German rivals, already have footholds in Asia, a fact which is likely to have prompted Walter's move.

Michael Lindemann, Bonn

Vost-Alpine Stahl floated

Vost-Alpine Stahl, the Austrian state-controlled steel maker, has been successfully floated on the Vienna stock exchange with an initial issue of 11.2m shares at Sch385 per share. The Sch3.2bn (\$318m) issue, one of the largest privatisations in Austrian history, was made up of 3m new shares and 8.2m shares offered by OIAG, the state industrial holding company.

Following the offer, OIAG holds 43.4 per cent of the enlarged capital and VA Tech, a sister company active in metallurgical and plant engineering, has 23 per cent.

Ian Bodger, Zurich

United Air reaffirms link with Lufthansa

By Michael Skapinker, Aerospace Correspondent

United Airlines of the US has assured Germany's Lufthansa that their alliance will continue, despite United's talks with USAir, in which British Airways has a 24.6 per cent stake.

Mr Jürgen Weber, Lufthansa's chairman, said in an interview in London yesterday he had spoken to Mr Gerald Greenwald, his counterpart at United, who has assured him of "the strength of our relationship".

Questions over United's code-sharing partnership with the German carrier were raised this week by news that USAir was in talks with both United and American Airlines, which could lead to a take-over.

Analysts have speculated that both US carriers might attempt to use a takeover of USAir to establish a code-sharing partnership with BA.

Code-sharing involves one airline selling seats on an aircraft operated by another.

Mr Weber agreed that if United took over USAir it would have to decide whether it wanted Lufthansa or BA as its European partner.

He said: "You can't sleep in the same bed with two ladies." He added that he was confident United would remain with Lufthansa.

Asked what BA would do if United succeeded in taking over USAir and ended the latter's relationship with the UK carrier, Mr Weber said: "They are very innovative people. They will find something."

Earlier, in a speech to the German-British chamber of industry and commerce, Mr Weber attacked BA's alliance strategy, which has involved taking minority equity stakes in both USAir and Qantas of Australia. BA has representatives on the boards of both companies.

Mr Weber said: "Our tie-ups are of a different nature. Mutual benefits rather than influence and control, persuasion rather than voting rights, are the shared convictions of our partners."

Allianz chief criticises 'myth' of single market

By Wolfgang Münchau in Frankfurt

The chairman of Allianz, Germany's biggest insurance company, yesterday criticised the single European market for insurance as "a myth", adding that it would not become a reality until the EU agreed on harmonisation of legal and social security systems.

Mr Henning Schulte-Noelle's criticism underlined widespread frustration in the industry about the difference between the EU's rhetoric and the reality of the single European market for insurance.

Mr Schulte-Noelle detailed some limited financial results for the first six

months of the current year. Premium income rose 3.1 per cent to DM36.5bn (\$25.4m) compared with the same period in 1994 - a figure depressed significantly through the appreciation of the D-Mark against the dollar.

Without currency effects, premium income would have risen 7.8 per cent. He said that profits - which rose 12.2 per cent to DM2.28bn before tax in 1994 - should increase further in the absence of unforeseen market movements or natural catastrophes.

One London-based analyst said the results were "as usual, totally unsurprising". He said the company was a "300lb gorilla with perennially low returns on equity".

Allianz's share price remained in the trading range of the previous days, closing yesterday at DM2,599, down DM6 on the day.

Mr Schulte-Noelle said the main competitive pressure for Allianz had not arisen from the single market, but from various developments in national markets.

He said: "There is much movement [in Europe], but there have been no upheavals... There is no boom in new start-ups of insurance companies, nor has there been a flood of exports of services across the borders."

"Altogether, the single market remains a myth, and this will only change when the so far neglected of

legal, tax and social security systems in the EU are harmonised."

By contrast, he gave a ringing endorsement for the single European currency, which he said "will stimulate cross-border investments and trade relations, reduce costs, strengthen growth and innovation, and will contribute to a solution to the pan-European unemployment problem".

Mr Schulte-Noelle's unequivocal support stands out, both in terms of its tone and its conclusions, at a time when Germans are becoming increasingly lukewarm towards a single European currency, fuelled by anti-EU comments from populist politicians and central bankers.

Generali hopes to patch up rocky relationship

Insurer may sell its stake in Axa if the French group does not collaborate on future plans

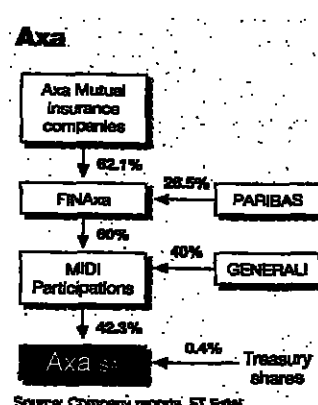
It is rare for Assicurazioni Generali, the insurer and Italy's largest quoted company, to throw its doors open to journalists, so last week's press conference at the group's operational headquarters near Venice was bound to be unusual.

Generali's new chairman, Mr Antoine Bernheim, a general partner at Lazard Frères of Paris, speaks no Italian, so the press conference was conducted almost entirely in French. This added to its curiosity value. But the dominant language also reflected Generali's preoccupation with its investments in France - above all, its 18 per cent indirect stake in Axa, the French insurer headed by Mr Claude Bébér.

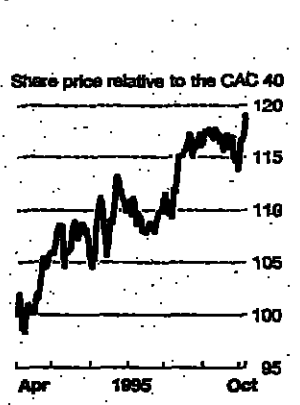
Mr Bernheim and Mr Gianfranco Guty, Generali's chief executive, seemed full of praise for Mr Bébér's efforts in transforming Axa from a strong domestic company into a powerful international force.

"I consider Axa a magnificent insurance company, and Bébér a very fine businessman and an excellent insurance professional," Mr Bernheim said.

However, such admiration was expressed through gritted teeth, because the Axa investment has been, as Mr Guty



Source: Company reports, FT Edit



put it, a "captive shareholding" for Generali for the last six years.

The press conference's real message was that if Axa did not co-operate with the Italian company on future international developments, Generali would sell its stake. "We want the chance to behave like adults," Mr Bernheim said.

Generali's Axa stake is the bitter legacy of a battle fought in the late 1980s for control of Compagnie du Midi, a diversified French insurer. Mr Bernheim admitted last week that Generali had entered the battle because it wanted to prevent Allianz, the large German insurer, establishing a powerful position in the French market.

However, the tactics backfired when Midi, in which Generali already had a large stake, decided to ally with Axa against Generali. In the end, it was Mr Bébér who emerged as the victor.

pletely since 1988, and for the good." For example, he was full of admiration for Axa's 1991 takeover of Equitable of the US.

Generali is growing its French operations by combining them with La France, an insurer indirectly controlled by Lazard Frères.

However, Mr Bernheim hopes he can persuade Axa that it would be worth co-operating in the development of new ventures in the far east and Indonesia, where he sees Axa and Generali as a strong combination against large and aggressive US and Japanese insurers.

But although this strategy would have a certain logic, it is hard to see what more Mr Bernheim can do to persuade his competitors at Axa to open the door to future co-operation. He did not set a deadline for a decision on whether Generali would sell or stay.

Mr Bébér, in contrast, expresses some mystification at the way in which Mr Bernheim's comments have been interpreted. He stresses that Generali's directors always voted in favour of Axa's decisions on the board and that co-operation has been strong and relations friendly between the two groups.

He concedes that there has been relatively little co-operation in the past over new ventures, but places the blame firmly in the Generali camp, saying Axa could never find anyone willing to collaborate at the Italian end.

He says the existing structure of links between the two companies may change in the future, but adds that any modification would have to involve benefits for both sides.

More generally, change in Axa's ownership is all but inevitable. The group is set for a listing on the New York Stock Exchange next year, and has raised the possibility of listings in Tokyo and London. It had also issued a large number of convertible bonds - including FF2.2bn (\$444m) at the start of this year - which could dilute existing shareholders.

In the longer term, Mr Bébér says control of the group, which is held through a series of mutuals with 62.1 per cent of the voting rights, may change.

He argues it was essential in the past to allow the group to evolve shielded from the reaction of the equity markets. This structure is now less necessary, and he believes voting control of the mutuals could fall to less than 50 per cent.

In the short term, the suspicion is that Mr Bébér still holds the keys to the future of the two companies' strained relationship, including the possibility that Generali's influence could be diluted still further with issues of shares or convertible bonds.

When pressed last week on the chance of future co-operation between the two rivals, Mr Bernheim replied with a shrug: "Vous savez, ce n'est pas si simple la vie."

Andrew Hill and Andrew Jack

Options from Morgan and Dresdner

Not every application of derivatives leads to losses for users such as Procter & Gamble, nor reputational damage for designers of tailor-made products such as Bankers' Trust, nor catastrophic collapse for traders such as Barings. Options, a type of derivative financial instrument, also stand behind a novel and increasingly popular device to extend European employee share ownership.

J.P. Morgan and Dresdner Bank, the US and German banks, yesterday announced a partnership in Germany to market a sophisticated employee share ownership programme (esop). The venture's first client is Continental, the Germany tyre manufacturer, which wishes gradually to extend worker ownership from 0.5 per cent to 5 per cent.

Each employee in the "Conti 100" scheme will be entitled to 100 shares which, at yesterday's share price of DM20.7, would be worth DM2,070. A participant in the programme provides 20 per cent of the investment and receives a two-year interest free loan for the remaining 80 per cent.

Employees are guaranteed against a fall in the company's share price. For a fee from Continental, J.P. Morgan and Dresdner write "put" options on Continental shares. These give employees the right, but not the obligation, to sell their shares at the initial share price. If the market price falls below that level, they can exercise the option and avoid losses. If the market price rises, they can take a profit and let the option lapse.

The expertise of J.P. Morgan, one of the leading derivatives houses, comes into play in providing the hedge - the guarantee against a fall in the share price.

It offsets the exposure it takes on through the sophisticated process of "dynamic hedging". J.P. Morgan does this by selling or shorting Continental shares. Any losses on the put options are mitigated by gains on these short positions. J.P. Morgan's own hedging is "dynamic" because the offsetting position varies - according to Continental's share price, its volatility and the likelihood that it ends the two-year period down.

The protection provided by J.P. Morgan allows employees to invest without jeopardising their savings, and it provides security for workers to borrow and thus leverage their investment. The company can introduce incentives without jeopardising employees' savings and morale.

A potential drawback is that by cushioning against share price falls, the incentive for employees to boost the company's performance is dulled. Another is that an investment bank's dynamic hedging - selling as the market goes down - tends to increase the volatility of a company's share price.

Nevertheless, the design and implementation of esops is a thriving business for derivatives houses in Europe. Continental is the first German company to use a hedged scheme. J.P. Morgan said yesterday it was in discussions with several other German companies. Deutsche Telekom, the largest employer in Germany, is considering appointing an investment bank to handle an esop when privatised next year.

Bankers' Trust, the US investment bank, may have

been damaged by suits from clients such as Procter & Gamble, complaining about sales practices. But it has been the pioneer in extending derivatives techniques to esops, with schemes for Rhône-Poulenc and Elf Aquitaine when the French state companies were privatised. In total, it has closed eight transactions in France and elsewhere, and another three are pending.

The entry into the market of banks such as J.P. Morgan, Société Générale and National Westminster Bank, has reduced margins. However, work on the schemes provides investment banks with an entrée to chief executives, and an opportunity to develop relationships and win other business.

There is one other, intangible benefit for investment banks. Recent losses by banks and companies have, however unjustly, tarnished the reputation of derivatives. Harnessing the instruments to a popular cause, the empowerment of the workers, could help in their rehabilitation.

Nicholas Denton

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US\$150,000,000
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In accordance with the provisions of the Notes, notice is hereby given that for the interest period 5 October 1995 to 5 January 1996, the interest rate will be 6.577% and the interest payable on the relative payment due 5 January 1996 will be US\$174,74 per US\$100,000 note.

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ALTUS FINANCE S.A.
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FIXED/FLOATING RATE
NOTES DUE 1999
Bondholders are hereby informed that the rate for the coupon NP5 has been fixed at 0.76575 % for the period starting on 05.10.1995 until 04.01.1996, inclusive (representing a period of 92 days).
The coupon will be payable on 05.01.1996 at the price of JPY 196,458.-

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XXVI IAFI WORLD CONGRESS
Structural Changes Capital Market and Financial Institutions

Wednesday, October 4th
Opening
Chairman of the Senate, Republic of Italy
Keynote speech
Rai Chairman
Under-Secretary, Ministry of Economy, Republic of Argentina
C.E.O. Telecom Italia
ENI Chairman
Member of the Executive Board Bank of Spain

Thursday, October 5th
MI Chairman
C.F.O. Bank of China
C.F.O. Pro-Authority Hong Kong
Chairman Financial Regulation Unit Coopers & Lybrand
Editor of "The Wall Street Journal", Moderator
Round table - Financial Executives new professional profile
Banking Executive
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مكتبة الأصيل

Nissan to close engine plant as demand falls

By Michio Nakamoto in Tokyo and Ian MacDonald in London

Nissan, Japan's second largest car maker, is to close an engine plant at its Kyushu complex in southern Japan, a move that underlines the growing problems of the Japanese car sector.

The ¥200m (\$197m) greenfield plant was opened only four years ago. Since then, however, domestic demand for saloon and coupe cars using Kyushu engines has slumped while sales of recreational vehicles, requiring different engines, has grown strongly. In the spring of this year Nissan effectively mothballed the plant pending a decision on its future.

The pressure on Nissan comes both from home - where there is overcapacity in the new car market - and abroad, where demand is in decline.

Before the Japanese recession began to bite in the early 1990s, car makers, including

Nissan, expanded their domestic operations substantially in order to meet strong demand.

The Kyushu engine plant, which was part of that expansion, began operations just as that recession - the longest since the second world war - plunged Japanese industry into trouble.

In its heyday, the plant turned out about 20,000 engines a year, but demand had been falling recently.

The 100 or so workers employed at the factory have been transferred to other units, while another Nissan facility in eastern central Japan has taken on Kyushu's former output requirements.

The weak market forced Nissan to admit last month that it was likely to fall short of its car production target this year by between 30,000 to 40,000 vehicles.

Analysts have long pointed out the need for consolidation among Japanese car makers.

Mr Matthew Riddick, indus-

try analyst at James Capel in Tokyo, noted in a recent report that the fall in domestic capacity utilisation had been one of the main factors behind the decline in Nissan's profitability in recent years.

After peaking at 95.2 per cent in 1991, capacity utilisation at Nissan fell to about 64 per cent last year, Mr Riddick estimates.

However, Nissan has been one of the most active among Japanese car makers in addressing the problem of overcapacity. Earlier this year, it closed a manufacturing plant on the outskirts of Tokyo which produced about 500,000 units.

It also halted consignment production of a 3-door passenger car by Fuji Heavy Industries.

As a result of these moves, Mr Riddick expects Nissan's capacity utilisation to improve significantly within several years, although it is unlikely to return to the high levels seen earlier this decade.

SHK Properties celebrates advance with bonus

By Louise Lucas in Hong Kong

Sam Hung Kai Properties, one of Hong Kong's leading property developers, yesterday followed fellow developer Henderson Land in awarding a special cash bonus to shareholders after announcing a 17.5 per cent increase in net profits in the year to June 30, from HK\$8.82bn last year to HK\$10.35bn (\$1.33bn).

The bonus of 38 cents matches last year's payout and is on top of a HK\$1.17 divi-

dend, up 15.8 per cent on last year's \$1.01.

The results, which were broadly in line with market expectations, were accompanied by one of the more upbeat chairman's statements to come from a developer. Hong Kong home prices have fallen around 20-30 per cent of their peaks, a result both of rising interest rates and government measures to curb speculation.

A number of property chiefs have been calling for the government to relax these measures

while blaming the sluggish market for a deceleration in earnings growth.

Conversely, Mr Walter Kwok, chairman and chief executive of SHK Properties, sees the market being reactivated now homes are at more affordable levels and interest rates stabilising.

During the past financial year SHK Properties completed 5.7m sq ft of development, more than a quarter of which has been retained for rental. Gross rental income last year

was HK\$4.05bn, up 21 per cent over the previous year, with rents still rising in spite of the slide in market rentals of

offices and shops over the past year. The group's current landbank in Hong Kong stands at 41.3m sq ft, plus 18m sq ft of agricultural land in the New Territories.

SHK Properties' other interests, principally in hotels, local infrastructure and mobile phones, also performed well. Last month a consortium led by the group won its bid to

build and operate the air freight forwarding centre at the colony's new airport on Lantau island - the first airport related project in which SHK Properties has participated.

The company's earnings per share rose 14 per cent to HK\$4.46 in the year to June 30, from HK\$3.91 in the previous year. There were no exceptional items, and the net operating profit was up 17 per cent at HK\$11.38bn from HK\$9.78bn last year.

Malaysian carrier driven by big ambitions

MAS has had a bumpy ride but expects rapid growth ahead, writes Keiran Cooke

Mr Tajudin Ramli, chairman of Malaysia Airlines (MAS), has big ambitions. The aim, says Mr Tajudin, is to make MAS "the largest, most successful and most respected airline in the world".

Over the past five years, MAS has almost doubled capacity, spending more than US\$4bn on new aircraft in what has been one of the most comprehensive fleet expansion programmes undertaken in the airline industry. Mr Tajudin now talks of spending an additional US\$4bn on 35 more aircraft by the end of the century. Any suggestion that MAS is flying too fast is brushed aside.

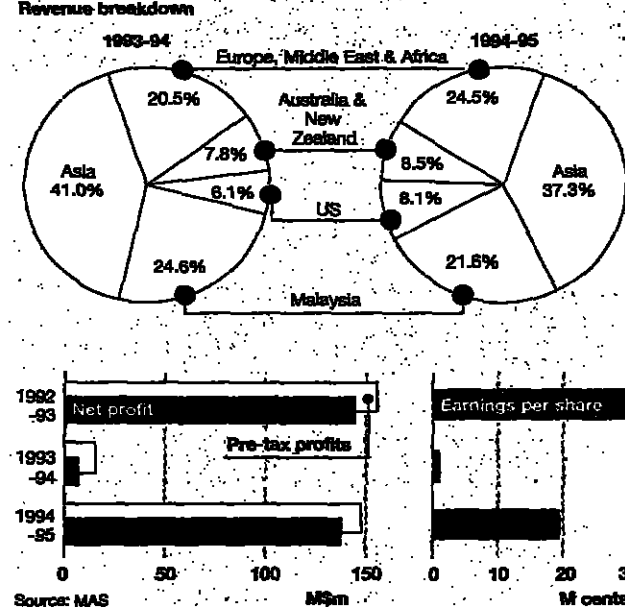
"We believe that the next five years is the boom period for the airline industry, with the Asia-Pacific region set to lead the world in terms of traffic growth," says Mr Tajudin.

In spite of the brave talk from the MAS cockpit, the airline has had a bumpy ride in recent years. The fleet expansion programme has been justified in terms of regional passenger growth: Asia continues to be the world's fastest growing air travel market, expanding at about 9 per cent a year. MAS boasts of having the world's youngest fleet and is well positioned to take full advantage of continued market buoyancy.

But the aircraft purchases have resulted in a big debt burden and financing and interest payments charges have dragged down profit levels. MAS borrowings are M\$6.6bn (US\$2.65bn) and forecast to rise to M\$7.5bn by mid-1996. By

Malaysia Airlines

Revenue breakdown



Source: MAS

contrast, Singapore Airlines (SIA), the Malaysian carrier's main regional rival, is debt-free.

An MAS cash call is thought likely within the next 12 months. "Instead of talking about further expansion and more expenditure, MAS should be consolidating and concentrating on cutting costs," says a Singapore-based industry analyst. "Its ambitions could be its downfall."

Mr Tajudin took control of MAS last year, purchasing 33 per cent of the group's shares from Bank Negara, the central bank, in a highly leveraged

M\$1.79bn deal. Hopes were high that Mr Tajudin, one of the country's richest and most politically well connected businessmen, would bring greater financial discipline to what had been an overly bureaucratic quasi-state operation. Just how good a chief pilot Mr Tajudin is turning out to be is a matter of some debate.

Mr Tajudin made his initial fortune in the early 1990s after being granted a licence to operate the country's first cellular phone network. His critics say he has no experience in the

airline business. A new MAS management team is intent on splitting the airline up into various profit centres. In spite of a freeze on recruitment MAS is still considered to be over staffed; productivity levels are well down on other regional airlines such as SIA and Cathay Pacific.

MAS operations are still politically influenced. Analysts say some routes, such as from Johannesburg to Buenos Aires, are run more for political prestige than for profit. The government controls prices within Malaysia: MAS is forced to continue services on several loss-making domestic routes as part of its role as national carrier.

On the plus side, Mr Tajudin and MAS win points for introducing a code sharing agreement with Virgin Atlantic on the London-Kuala Lumpur route. The London route is one of the most busy for MAS. For several years the Malaysian government has been pressing the British authorities to allow more flights.

The code sharing agreement, in force since June, has allowed MAS to double its flights to and from London to 14 per week. Other code sharing arrangements are coming into force on routes to Australia. In spite of the increased capacity to London, aircraft are flying more than 70 per cent full but revenue yields have been affected by a price war with SIA. Standard return fares to London on both airlines have dropped from M\$2,600 earlier in the year to about M\$1,500.

If more airlines use the new airport, MAS will be able to take advantage of reciprocal rights to various destinations. Domestic services are likely to benefit from a rise in feeder services in and out of Kuala Lumpur.

But if the airport's performance does not come up to expectations, then Mr Tajudin's high-flying ambitions are likely to be permanently grounded.

Thai venture for Morgan Stanley

By Ted Baradack in Bangkok

Securities One, part of Thailand's Finance One group of companies and one of the country's largest brokerage houses, is to form a domestic joint research, equity sales and trading operation with US broker Morgan Stanley.

The agreement involves no cash but will give Morgan Stanley its first direct presence in Thailand with access to Securities One's large stable of research and analysis of the Thai equity market. In return, Morgan Stanley has agreed to pass its trades in Thailand through Securities One.

Securities One has lost several sub-brokers recently, and analysts have expected the company's market share to fall below 5 per cent by the end of the year. If Morgan Stanley can generate significant investments in Thailand among its customer base, Securities One should be able to reverse this downward trend, analysts said.

Japanese banks call it a day for Jyuso

By Gerard Baker in Tokyo

Japan's seven trust banks have agreed to liquidate Jyuso, the housing loan company they founded 20 years ago, now virtually insolvent under a pile of non-performing loans.

Mr Ken Fujii, president of the Trust Companies Association of Japan, said yesterday: "The seven banks have agreed on the liquidation of Jyuso, although specific disposal measures have yet to be decided."

Jyuso is one of eight housing loan companies most of which are now technically insolvent. They advanced vast amounts of property-related loans during the "bubble economy" in the late 1980s. When prices fell in the early 1990s, they were left with bad loans that now total some ¥8.4bn (\$83m), or more than two-thirds of their entire loan book.

Mr Fujii said institutions that provided loans to Jyuso should bear most of the costs

of its liquidation. "Self responsibility is the prerequisite for lending activities by financial institutions," he said.

The question of who should bear the losses from the imminent collapse of the housing loan companies is a thorny one. Among their largest creditors are agricultural co-operatives, which have more than ¥6bn in deposits with the companies. But the leading banks, which established the mortgage lenders, also have about ¥6bn in loans to them.

The agricultural co-operatives have argued that since the banks founded the companies, and introduced many of their customers, they should bear the lion's share of the costs of liquidation. The banks argue, however, that the agricultural co-operatives should accept their duties as ordinary creditors in failed institutions.

A special finance ministry committee is investigating the problem.

Fortis AMEV

Interim dividend 1995 of Fortis AMEV nv

(a limited liability company, incorporated in Utrecht, the Netherlands)

On 7 September 1995 we announced that the interim dividend 1995 amounting to NLG 1.56 per share can be received, at the option of the shareholder or holder of depositary receipts, either wholly in cash or wholly in the form of shares or depositary receipts for shares respectively. The shares will be charged to the share premium reserve or, if the shareholder or holder of depositary receipts prefers, to the profit of the financial year. Shareholders and holders of depositary receipts had until 4 October 1995 to indicate their choice.

As announced, the number of dividend coupons giving an entitlement to one new share or depositary receipt has been determined on the basis of the closing rate of the depositary receipts Fortis AMEV in Amsterdam on 4 October 1995.

In connection with the above, we hereby announce that the number of dividend coupons that - where applicable - gives an entitlement to one new share is 63.

The interim dividend in cash will be payable on 13 October 1995. Registered shareholders will receive further information on the dividend individually.

Utrecht, 5 October 1995

Fortis AMEV nv
the Executive Board

Depositary receipts for ordinary shares Fortis AMEV nv

Referring to the above announcement of the Executive Board of Fortis AMEV nv, the undersigned announces that the interim dividend on depositary receipts which it has issued will be payable as follows.

An amount of NLG 1.56 per depositary receipt of NLG 2.50 nominal will be paid on dividend coupon number 28 to holders of depositary receipts who have opted for payment of the interim dividend in cash as well as to holders of depositary receipts who had not indicated their choice on 4 October 1995 at the latest. This amount, less 25% withholding tax, will be payable from 13 October 1995 through the following banks:

MeesPierson N.V.
ABN AMRO Bank N.V.
Credit Lyonnais Bank Nederland N.V.
Internationale Nederlanden Bank N.V.
at their head offices in Amsterdam, Rotterdam or Utrecht, the Netherlands, as appropriate,

KBW Effectenbank N.V.
Rabobank Nederland
VSB Bank N.V.

Barclays Bank PLC, 8 Angel Court, Throgmorton Street, London EC2R 7HT, United Kingdom,

Banque Universelle et Commerciale du Luxembourg S.A. at its head office in Luxembourg.

New depositary receipts for ordinary shares Fortis AMEV, with dividend coupons numbers 28 ff., will be allocated to holders of depositary receipts who have chosen to receive the interim dividend in the form of depositary receipts, on presentation of 63 dividend coupons number 28 for each new receipt. These dividend coupons number 28 must be delivered to N.V. Nederlandsch Administratie- en Trustkantoor, Herengracht 420, 1017 BZ in Amsterdam, the Netherlands.

From 6 to 12 October 1995 inclusive, it will be possible to deal in dividend coupons on the Amsterdam Stock Exchange, in order to round off entitlements.

The new depositary receipts will give entitlement to the final dividend for the financial year 1995 and to the dividends for future years.

To those who held CF depositary receipts on 8 September 1995 at office closing, payments will be made through the institutions where the dividend coupons of their depositary receipts were in safe keeping on that date.

Utrecht, 5 October 1995

Stichting Administratiekantoor van aandelen Fortis AMEV

Fortis

Fortis AMEV and Fortis AG
are the two parent companies of Fortis

COOKSON FINANCE N.V.

NOTICE OF AN EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF TO BE HELD ON OCTOBER 27, 1995 TO THE SHAREHOLDERS OF COOKSON FINANCE N.V.

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Shareholders of COOKSON FINANCE N.V. (the "Company") will be held at the registered office of the Company at De Ruyterkade 62, Curaçao, Netherlands Antilles, on October 27, 1995, at 10.00 am Netherlands Antilles time.

The Agenda of the meeting is available for inspection by the shareholders at the registered office of the Company.

CURAÇAO CORPORATION COMPANY N.V.
Managing Director

JUPITER TYNDALL GLOBAL FUND, SICAV

Registered Office: Luxembourg, 13, rue Goethe
R.C. Luxembourg B 34 593

DIVIDEND NOTICE

The Directors resolved on 27 September 1995 to pay a dividend of 2 pence per share to shareholders of the High Yield Portfolio on record on 2 October 1995 with an ex-dividend date of 3 October 1995 and a payment date of 6 October 1995.

By order of the Board

SOCIÉTÉ GÉNÉRALE ON INTERNATIONAL BOND MARKETS

September, 1995

BAYERISCHE LANDESANSTALT FÜR AUFBAUFINANZIERUNG

Lead Manager

EuroUSD 250 million
1999

September, 1995

VOLVO VOLVO GROUP FINANCE EUROPE B.V.

Lead Manager

EuroFRF 1 billion
2005

September, 1995

KREDITANSTALT FÜR WIEDERAUFBAU INTL. FINANCE INC.

Lead Manager

EuroFRF 2 billion
2002

September, 1995

CRÉDIT LOCAL DE FRANCE

Lead Manager

EuroFRF 2 billion
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INTERNATIONAL COMPANIES AND FINANCE

Kmart warns of sharply reduced profits

By Maggie Urry
in New York

Kmart, the troubled US retailer, warned yesterday that third-quarter earnings per share would be "well below" the 4 cents made in the same period of 1994.

The profit warning cut the shares by 4% to \$12.12 in morning trading, while other retail shares were mixed in reaction to varied reports of September retail sales.

Kmart reported a 4.1 per cent rise in comparable store sales in September, a figure dragged down by a 10.1 per cent drop in same-store sales at its Builders Square chain of do-it-yourself shops. For the 35 weeks to Sep-

tember 23, comparable store sales were up 4.3 per cent.

The retailer said although sales in the core Kmart chain were "encouraging", margins were under pressure, holding back profits. Higher sales were achieved through greater promotions and by cutting prices "to clear older, unproductive merchandise", the company said.

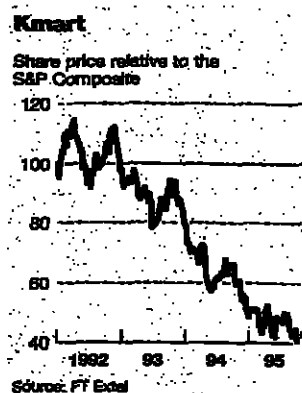
The group's second quarter was the 10th consecutive quarter of deteriorating profit performance. For that period it incurred a net loss of \$56m, with continuing operations earning only 5 cents a share.

Lower margins were behind the poor results as the company cut prices to shift goods.

Problems at Kmart have been building for months, culminating in March with the resignation of Mr Joseph Antonini as chief executive and the appointment in June of Mr Floyd Hall as his replacement. Investors are anxiously waiting for some signs that Mr Hall is turning the group around.

However, earlier this week Moody's Investors Services, the credit rating agency, put Kmart's debt on review for a downgrading, citing the "significant challenges" the new management faces.

It said: "Although the new management team has made considerable progress in identifying and addressing Kmart's



historical problems, the increasingly competitive and very promotional environment

intensifies the challenges that it faces in rapidly improving the company's returns and market position."

Among other retailers, Ann Taylor, the fashion group, suffered a 10 per cent drop in same-store sales in September. Its shares fell 1% to \$14.

Dayton Hudson, which operates the Target discount chain and traditional department stores, said its Target sales performance was strong, with comparable stores up 3.1 per cent in September. Its department store sales, however, fell 1.5 per cent on a comparable basis. Third-quarter earnings from that division are expected to be "modestly lower". Its shares rose 1% to \$73.

Grupo Synkro set to default on \$50m bond

By Stephen Fidler,
Latin America Editor

Grupo Synkro, the leading Mexican producer of hosiery, is set to default on a \$50m Eurobond issue due to mature tomorrow, bankers said yesterday.

The Luxembourg-listed 8 per cent bonds were issued in 1992 by a group led-managed by Chase Investment Bank at a price of 100, and are due to mature on Saturday. Bankers said the company was not expected to have the resources to repay the bonds.

The default would be the second by a Mexican private sector Eurobond issuer since devaluation plunged the country into financial crisis in December. The first was by Aeroméxico, whose bond and commercial paper holders agreed in July to exchange \$137.6m of debt for new five-year notes with an annual interest rate of 9.75 per cent.

Grupo Synkro went on the acquisition trail in 1993 to buy the US tights maker Kayser-Roth for \$233m, a transaction said at the time to make it the world's second largest producer of hosiery. The deal was also said to be the third largest acquisition by a Mexican company. Chase advised on the transaction.

Bankers said the company also used international financial markets in two other transactions: a commercial paper programme and an international bank loan used to buy Kayser-Roth.

Placer Dome withdraws from Kazakh venture

By Bernard Simon in Toronto

The future of the Vasilkovskoye gold project in Kazakhstan is under a cloud following a decision by Placer Dome, the Canadian mining group, to sever its ties with the controversial venture.

Placer has pulled out of a restructuring under which it planned to sell its 27.5 per cent stake in the project to Princess Resources, a junior exploration company based in Toronto.

As a result, Princess said it was unable to fulfil an agreement to acquire Consolidated Mines of Kazakhstan (CMK), which owns 22.5 per cent of Vasilkovskoye.

Under the restructuring, CMK would have ended up with a 50 per cent stake in the project, with the remainder held by the Kazakhstan government. Placer would have owned 38 per cent of Princess.

Lombard South Africa, the main mining arm of the UK conglomerate, had agreed to take responsibility for developing the deposit into a mine.

Placer said yesterday "it just hasn't worked out in the time frame we set ourselves".

According to one person familiar with the project, Princess has been unable to meet deadlines for its financing obligations, including US\$35m in convertible loan notes payable to Placer. At the same time, Placer was facing an October 11 deadline to complete a due diligence study or forfeit a US\$35m "bonus" it has paid to the Kazakhstan government.

Although Vasilkovskoye is among the world's biggest gold deposits, with reserves of about 13m ounces, the grade appears to be lower than Placer initially thought.

The Vancouver-based company has said it wants to focus on three projects in North and South America.

Princess executives are in Kazakhstan this week negotiating a revised deal with the government. The company said CMK's present shareholders, mostly private investors in Europe and Kazakhstan, "have agreed to assist in this effort".

Heinz expands in E Europe

By Vincent Boland
in Prague

H. J. Heinz, the US foods group, has bought an 80 per cent stake in PMV Zabreh, a baby foods and dairy products company in the Czech Republic with a dominant share of the market for infant formula.

The acquisition, worth \$40m, is part of a strategy by Heinz to achieve sales of \$100m in central and eastern Europe by 1996. It follows investment in a Hungarian processor of baby foods and juices in July, and

the opening of a cereal plant in Russia earlier this week.

Heinz bought its stake from Czech state institutions and dairy suppliers to PMV Zabreh. The state retains a small shareholding, and about 10 per cent remains in the hands of the company's milk suppliers.

PMV Zabreh has an estimated 80 per cent of the market for dry baby foods in the Czech Republic and Slovakia, with annual sales of \$40m. The company is based in the eastern province of Moravia.

Dr Tony O'Reilly, chairman and chief executive of Heinz, said yesterday in Prague the acquisition would lead to new investment at PMV Zabreh, in distribution and production.

The Czech company's main brands, Sunar and Feminar, already have a high profile in their main markets, and sales, mainly confined to pharmacies, will be widened to include supermarkets.

Dr O'Reilly said Heinz would eventually use the Czech Republic as an export base for baby food products.

Tenneco may buy auto parts maker

By Laurie Morse in Chicago

Tenneco, the US industrial conglomerate, has confirmed it is in talks to buy Gates Rubber, a Denver-based automotive parts manufacturer with annual sales of \$1.4bn.

Mr Dana Mead, Tenneco chairman, said the company was seeking another big acquisition for its automotive division, and might close such a deal by the end of the year.

Gates, a closely-held family concern, said it had been searching since March for a publicly-held merger partner to help fund growth.

In addition to Tenneco, Gates is believed to be talking with Dana Corp, the US automotive parts group, and Tomkins, the UK conglomerate.

Gates' board is expected to review proposals from the three companies at its November 20 meeting.

The company has 13,000 employees and makes power transmission belts, hoses, and connectors for cars and other industrial users. Analysts said the company would complement the other businesses in Tenneco's automotive division. These include Monroe, which produces shock absorbers and suspension systems.

Tenneco is in the middle of a redevelopment programme, and is investing in three main industries: packaging, natural gas transport and transmission, and automotive parts. On Monday, it announced plans to buy packaging company Mobil Plastics for \$1.3bn.

PTS POST & TELESTYRELSEN
NATIONAL POST AND TELECOM AGENCY

Time Table for the Tender for Licenses to Install and Operate a Mobile Telecommunications System in the 1.8 GHz band in Sweden.

The National Post and Telecom Agency (PTS) will, after 31 October 1995, invite anyone interested in installing and operating a mobile telecommunications system in the 1.8 GHz band in Sweden, to apply for a licence. The tender will be based on the Telecommunications Act (SFS 1993:597). The regulations and a guide can be ordered from the National Post and Telecom Agency after the above mentioned date.

The closing date for submission of application will be 11 December 1995. A formal application in writing followed by an application fee (SEK 100,000) must then be received by PTS.

A maximum of five (5) national licenses will be issued. If spectrum is available, licenses to install and operate a regional telecommunications system may be issued. Anyone interested in providing a regional mobile service must submit a notification in writing to PTS not later than 11 December 1995. This notification is free of charge. Only parties who have notified their interest may participate in a possible subsequent regional tender once the national licenses have been granted.

Applicants will be selected based on a set of criteria, for example:

- coverage of geographic area and/or of population
- timing and roll-out
- the ability to offer cost efficient operations
- and adequate spectrum efficiency for the services offered

The regulations and the above mentioned guide will contain further guidelines for the preparation and submission of application and can, after 31 October 1995, be ordered from:

Post- och telestyrelsen, Box 5398, 102 49 Stockholm, Inger Pettersson, tel 08-678 55 28, fax 08-678 55 05.

After 31 October 1995, questions concerning the tender may be directed to: general issues and procedure: Ann-Marie Engvall, +46 8 678 56 58 or Pär-Erik Westin, +46 8 678 55 29.

legal issues: Britt-Marie Arne-Hellström, +46 8 678 55 68.

Wrapping up market share in Mexico

Kimberly-Clark and Scott Paper's US merger has repercussions south of the border

The proposed merger between Kimberly-Clark and Scott Paper in the US has raised expectations of a parallel merger between their affiliates south of the border.

Such a move would create the seventh largest company in Mexico and a virtual monopoly in the industry for consumer paper products. The merged company would also be the seventh largest on the Mexican stock exchange, with a combined market capitalisation of about 21bn pesos (\$3.2bn).

Kimberly-Clark de Mexico (KCM) and its smaller rival, Crisoba, the Scott Paper affiliate, are fierce competitors in the market for bathroom and facial tissues, paper napkins and feminine care products. In addition, KCM is the market leader in baby nappies, notebooks and printing and business paper.

Shares in both companies have risen sharply on the Mexico City bourse since Kimberly's takeover bid for Scott Paper was announced in July. While most Mexican stocks remain in the doldrums, KCM's shares have risen by nearly 80 per cent in three months. Crisoba's less liquid stock is up by 24 per cent.

If the US merger is approved, KCM and Crisoba would and

up with the same foreign shareholder, as Kimberly-Clark Corporation of the US owns about 40 per cent of its Mexican affiliate and Scott Paper has a 49 per cent stake in Crisoba. Given their competing strategies, the US merger would create an awkward situation for KCM and Crisoba, unless a similar merger were to take place in Mexico.

KCM and Crisoba's Mexican shareholders are understood to have held exploratory talks on a possible merger - and on how such a marriage could be justified before Mexico's Federal Competition Commission. The controversial union would almost certainly be challenged by competitors such as Procter & Gamble.

Both companies are reluctant to discuss their market shares, or the volume of imports they have displaced. But analysts estimate they hold a combined share of more than 90 per cent of the Mexican market for consumer paper products. Their close relationship with big clients, such as the retail chains, drugstores and wholesalers, has helped to keep market share and volume figures well-guarded secrets.

KCM and Crisoba have fared surprisingly well this year, when conventional wisdom dic-

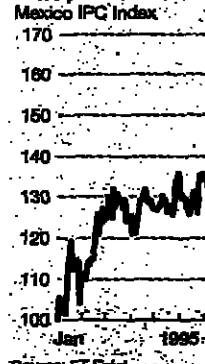
ates they should have been hammered by the Mexican crisis.

Both companies depend on an imported raw material, cellulose, whose price has soared in dollar terms, and even more in pesos since the devaluation of Mexico's currency in December. Sales, on the other hand, are focused on the domestic consumer, whose purchasing power has collapsed this year. To compound matters, there are hardly any exports to compensate for the shrinking domestic market.

KCM and Crisoba, however, have confounded analysts by increasing both the price of their products and the volume of sales during Mexico's worst recession in living memory.

KCM's net sales rose 23 per cent in real terms in the first half of 1995. Mr Sergio Paliza, its chief financial officer, says it raised prices by 20 per cent in real terms to absorb part of the increase in international pulp prices. Sale volumes climbed 3 per cent, an impressive figure when compared with the general collapse of the Mexican economy, which contracted by 10.5 per cent in the year to June.

"We recaptured sales in the

Kimberly-Clark
de MexicoShare price relative to the
Mexico IPC Index

north of Mexico," Mr Paliza explains. The devaluation put an abrupt end to Mexican shopping trips across the US border, while it also priced imports out of the Mexican market.

Mr Paliza says import substitution in the border economy has more than compensated for shrinking sales in the rest of Mexico. He says KCM has also benefited from the virtual disappearance of imported nappies, notebooks and printing paper from the Mexican market.

Price increases also lifted Crisoba's net sales by 20 per

cent in the first half of the year, although volumes remained flat, according to Mr Antonio Silva, the financial director. A loss-maker two years ago, Crisoba has gone through a complete overhaul, shedding half its 5,400 employees, cancelling product lines that did not sell well, and reducing its level of debt.

It is investing \$150m this year in new technology and a paper recycling plant, which will be financed out of the company's own cashflow.

"We took the tough decisions when the economy was strong," Mr Silva says. "We could not have survived this kind of adjustment in 1995. Only companies with low operating costs and little debt can survive these kind of crises."

Mr Silva believes Crisoba's return to profitability has placed it in a strong position for merger talks.

If the US merger is approved - but Mexican shareholders do not reach a similar agreement - Mr Silva believes Scott Paper will have to sell its stake in Crisoba. "We will need a new technology partner," he says. "Fortunately, we have no shortage of suitors."

Leslie Crawford

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The survey will cover the Norwegian economy, banking, manufacturing industry, telecommunications, shipping, tourism, and power.

Rising costs squeeze margins at McBride

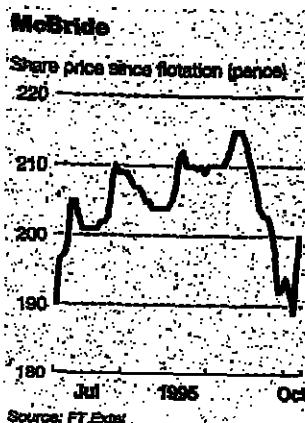
By David Blackwell

Raw material price rises put margins under pressure at McBride, Europe's largest manufacturer of own-label household products and toiletries, which was floated in July.

Nevertheless operating profits for the year to the end of June were £100,000 ahead of the prospectus forecast at £38.6m (£60m), compared with a previous £34.9m. The shares added 11p to close at 200p.

Mr Mike Handley, managing director, said the price of some packaging plastics had doubled during the year with board rising by almost 50 per cent. While the worst of the increases had passed, margins had fallen from 9.1 per cent to 8.2 per cent.

He added that margins would remain under pressure



in the current first half before starting to recover.

Group sales increased from £409m to £436.5m. In the UK washing powder sales, which account for about a quarter of group turnover, were 9 per

cent higher, while dishwashing products rose 10 per cent.

However, personal care sales were flat, reflecting a disappointing contract manufacturing performance.

Operating profits in the French and Belgian division were flat, reflecting price deflation in France. In Italy sales were strong, but profits were down because of the weakness of the lire against the D-mark.

Shareholders' funds stood at £4.8m at the end of the year; the effect of the flotation will be to take £43m from net debt of £127.3m, for gearing of more than 170 per cent. Interest payments were £11.6m (£12.9m), but interest cover is expected to be five times this year. The tax charge rose from 13 per cent to 20 per cent, reflecting the utilisation of tax losses in France and Belgium.

Boddington receives takeover approach

By Roderick Oram, Consumer Industries Editor

Boddington Group, praised by the City for selling its Manchester brewery five years ago to focus on pubs, hotels and nursing homes, said yesterday it had received an approach which might lead to a recommended bid.

Greenalls Group, another former brewer, was believed to be the likely bidder.

Boddington's shares closed up 78p at 350p. A recommended bid would likely be at about 400p, several analysts calculated.

Greenalls and Boddington are seen in the City as two of the best of the new breed of pub owners. Having had the courage to shed their traditional low-profit brewing businesses, they have moved into higher margin pub retailing. The strategies have cost them dear, however. Both are highly geared.

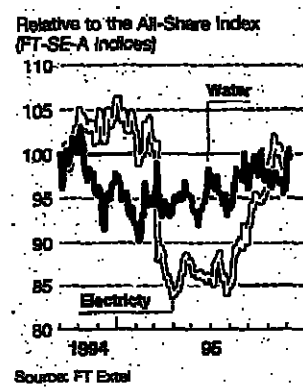
A merged Greenalls-Boddington would be the dominant pub owner in north-west England with some 1,500 pubs.

LEX COMMENT UK water

Speculators hoping to cash in on the next takeover bonanza by shifting cash from electricity to water shares may be disappointed. Any activity is likely to be more muted than in the electricity sector. Water companies offer fewer attractions to predators than regional electricity companies (reCs). For the next five years, the sector will bleed cash to fund investment. ReCs will be cash neutral. Moreover, as the potential bid by Lyonnaise des Eaux for Northumbrian Water has shown, there is little incentive for merging water companies. The regulator is thought to be demanding price cuts of 15 per cent, about £27m in this case, in return for his approval.

That does not mean there will be no bids. There are benefits in combining overlapping utilities such as Northern Electric and Northumbrian or Yorkshire Electric and Yorkshire Water. Engineering or construction companies could also make savings on the investment programmes of companies such as Southern Water. But not many construction com-

UK electricity and water



panies are strong enough to bid, while engineering groups such as Bechtel have so far opted for joint ventures.

That still leaves two reasons why investors might want to switch from electricity to water. In the short-term the market will expect water bids, whether or not they materialise. This will offer a brief opportunity for profits. Otherwise, once the sector gets over the uncertainty of a general election, the sector's stronger dividend cover means pay-outs should grow more quickly.

Northumbrian Water moves into Mexico

Northumbrian Water, the north-east water company under siege from Lyonnaise des Eaux, has paid \$24m for 40 per cent of a Mexican water group, writes Christopher Price.

It is the UK company's third move into the overseas market - it has a 60:40 venture with a Spanish construction concern and a joint venture with an Argentine water group.

It is buying into Grupo Empresarial de Mejoramiento Ambiental, a subsidiary of Cydsa, a quoted Mexican chemical and textile company. Gema, which encompasses Cydsa's environmental services business, was established as a separate company four years ago and had sales of \$86m in 1994.

Gema has constructed a municipal waste water treatment plant in Chihuahua and recently signed a 10-year operating contract.

South West Water has invested \$4m in a joint venture, Societa Italo-Britannica dell'Acqua, with Enit, the Italian water and environmental services group.

Barry Wehmiller advances by 38%

By Christopher Price

Barry Wehmiller International, the packaging equipment manufacturer, increased annual pre-tax profits 38 per cent from \$5.12m to \$7.08m (\$11m), helped by strong growth in emerging markets. The company also announced a change of name to BWI.

The strongest growth was in the vision side, which includes inspection products for the glass industry. Operating profits jumped from \$73,000 to \$1.22m.

Operating profits in the food equipment division grew 22 per cent with turnover declining slightly. In the pharmaceutical and general packaging business profits and sales both rose 12 per cent.

Emerging markets saw

strong growth in sales. Latin American turnover increased 21 per cent to \$9.62m, while Africa and the Middle East rose 24 per cent to \$6.52m.

North America remained BWI's biggest market, accounting for an unchanged \$25.5m of turnover. The UK was also steady at £21.5m.

Mr Stuart Brown, chief executive, said the two markets were still in a recovery situation following the recession. The recovery in continental European sales was already coming through, with turnover rising 15 per cent to £19.3m.

Mr Stuart said expansion would come through a combination of organic growth and acquisitions. "We have no gearing and a small £3.9m war chest if the right opportunity presents itself."

Exco German buy

Exco, the money broker, is to acquire Trdo Holdings' German operations, which trade as Bierbaum, for DM13.2m in cash.

The business being acquired has net assets of £3.2m. It is not expected to have made any material profit for the year to September 30.

Carlsberg-Tetley cuts 500 jobs

Carlsberg-Tetley is to close its Warrington brewery in a restructuring of its brewing and distribution operations which will cost some 505 jobs, or about one in eight of its workforce, writes Roderick Oram.

The cost was not disclosed but analysts forecast Allied Domecq will take a charge of up to £60m (\$93m).

The latest changes "are the final steps which move Carlsberg-Tetley from a regionally organised business to a truly national one", said Mr Ebbe Dinesen, Carlsberg-Tetley's chief executive.

Allied is thought to want to sell its half share in the joint venture with Carlsberg. Interested parties might include Bass, the UK's second largest brewer, and Carlsberg itself.

Meggitt close to selling offshoots

By Tim Burt

Meggitt, the aerospace and electronics engineering group, is close to selling its non-core contracting, analytical instruments and valves subsidiaries as part of a wide-ranging restructuring. The subsidiaries, with combined net assets of £90m (\$31m), could be sold by the year end.

Mr Nigel McCorkell, deputy chairman, said the disposals would largely complete the restructuring of the group, which wants to focus on its electrical components and aviation equipment activities.

"We would expect to be degearing once this is over and could then concentrate on expanding in our core areas." In the six months to June 30, a £718,000 loss on disposals

contributed to reduced pre-tax profits of £3.08m (£3.58m). The shortfall partly overshadowed improved profits in the core electronics and controls businesses. Buoyant orders for medical and automotive components helped lift profits in the electronics division while higher exports of industrial controls boosted the controls division.

Aerospace profits, however, fell from £2.45m to £1.75m amid continuing problems at Plastics Fabricating, the US subsidiary where Meggitt uncovered product failures and falsification of documents last year.

Meggitt, which has removed the management and halved the workforce to 70, warned that the subsidiary was unlikely to break even until the second half of next year.

Background on potential clients

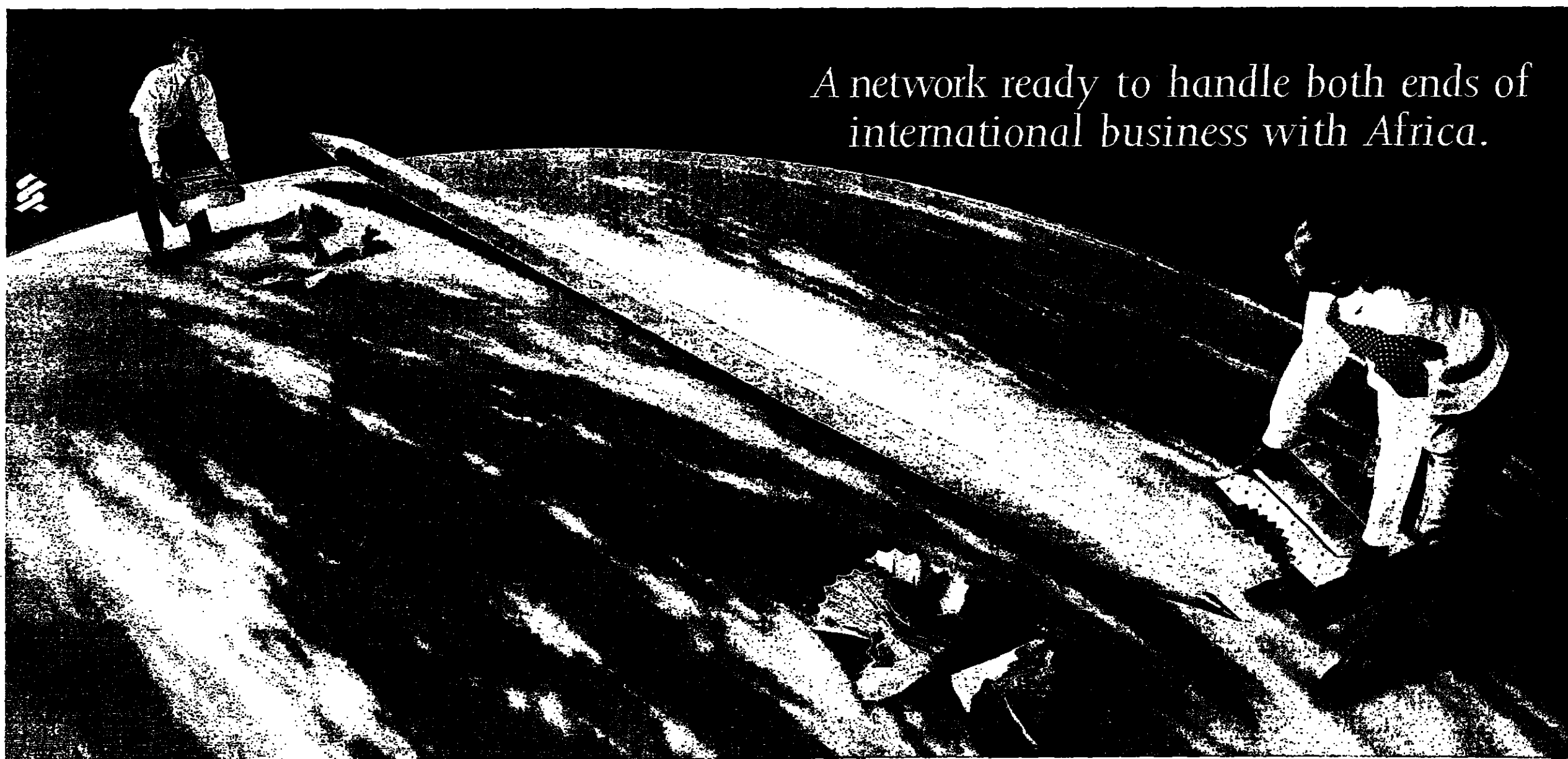
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CALL FOR EXPRESSION OF INTEREST
IN PURCHASING THE ASSETS OF
"CHRISTOPHOS KONDORIS S.A." OF ATHENS GREECE

ETHNIKI KEMALIOU S.A., Administration of Assets and Liabilities, of 9A Chrysomastou St Athens 11506, Greece, in its capacity as Liquidator of "CHRISTOPHOS KONDORIS S.A." a company with its registered office in Athens, Greece, (the "Company"), presently makes special liquidation according to the provisions of Article 14 of Law 1829/1990, by virtue of Decision 1249/1995 of the Athens Court of Appeal, in its intended purpose to submit within twenty (20) days from the publication of this Call, non-binding written expression of interest for the purchase of the assets mentioned below.

BRIEF INFORMATION
The Company was established in 1992 and was placed under special liquidation on 25.4.95. Its objectives included the production of wood furniture.

GROUPS OF ASSETS OFFERED FOR SALE
The assets being offered for sale include a factory in the area of Syntagma Square, N. Eilat, standing on a plot of land approximately 52,467 sq.m., including buildings (approx. 19,000 sq.m.) for the production of furniture, including wood and kitchen furniture. The trade name of the company and other assets are also offered for sale.

SALE PROCEDURE
The Company's assets will be sold by way of Public Auction in accordance with the provisions of Article 4 of Law 1829/1990, as supplemented by art 14 of L. 2001/1991 and subsequently amended and the terms set out in the Call for Tenders for the sale of the above assets, to be published in the Greek and foreign press, on the date provided by law. (This is the third auction to take place)

SUBMISSION OF EXPRESSIONS OF INTEREST - OFFERING MEMORANDUM
For the submission of Expressions of Interest and for obtaining a copy of the Offering Memorandum please contact the Liquidator "ETHNIKI KEMALIOU S.A. Administration of Assets and Liabilities", 9A Chrysomastou St, Athens 11506, GREECE. Tel: +30-11523 14 84 - 87 Fax: +30-1-321 7905 Suburban Mrs. Maria Frangoulis.

WEBER INSOLVENCY
Capex No. 975889 on 24 November 1995 at 12:00 am, the Law Court of Naples sells complete called Weber Hotel, 118, Marina Piccola St. Capri, in front of Judge Paolo. The complex is on 5910 sq. m. of grounds and buildings. It consists of 53 rooms and one suite of 60 sq.m. provided with all accessories in working order. A swimming pool - already designed - might also be realized. All is better described and specified in the technical consultancy report deposited at the Chamber. Price £12,269,000.000.

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Amstrad turns in £3m despite losses at Ace

By Paul Taylor

Amstrad, the restructured consumer electronics group, reported a £3.06m full-year pre-tax profit yesterday after three years of losses.

The result for the 12 months to June 30 compares with a £19.9m loss. It came on turnover that increased to £271.6m (£258.9m) including a £34m contribution from Viglen, the computer manufacturer acquired in June last year.

Amstrad's profit turnaround came despite continuing losses at Ace, the traditional consumer electronics business, and a four-month delay in the start-up of digital cellular telephone handset production at Dancall, Amstrad's Danish subsidiary, after service providers.

Mr David Rogers, the chief executive brought in a year ago by Alan Sugar, chairman, to revitalise Amstrad, said the profit was "quite an improvement" and that the losses in the Ace business had been "curtailed". Mr Sugar added that it was expected to break even or make a bit of money in the current year.

Inventories were reduced by £40m contributing to an overall reduction from £77.3m to £33.5m despite the inclusion of Viglen for the first time and the start-up of Dancall manufacturing.

Mr Rogers added that sales and profits at Viglen, which posted £11.3m in operating profits, were "above plan".

Viglen's contribution helped offset £16.6m in losses from continuing operations enabling the group to record a reduced £3.06m (£28.5m) operating loss.

The pre-tax figure includes a £1m profit on property disposals and £7.21m (£7.14m) of net interest income. This reflected Amstrad's growing cash pile which increased by £4.2m to £141.9m despite the first instalment in payment for Viglen and higher capital expenditure.

Managers and employees between them own 48 per cent of Unipart's equity, for which Rover received £30m when the parts company was privatised through a management buy-out in 1987.

Neither Rover nor BMW has acknowledged making the first offer, nor that Rover will shortly make a higher one.

Unipart, which employs 3,800, have already turned down an approach from Rover to buy for £150m-£170m (£265m) the 80 per cent of the equity it does not already own.

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COMPANY NEWS: UK

Future fears despite strong start

Tim Burt looks at the robust results of the vehicles engineering sector

Results season

Round-up

The engineering sector, one of the most cyclical in UK manufacturing, has emerged from the interim results season boasting robust profits and solid earnings growth.

Of the 30 or so engineering companies reporting in the past six weeks, many have cited cost-cutting, contributions from new acquisitions and export-led sales growth as the main factors behind increased profits.

Such factors have offset signs of softening demand in continental Europe and North America and increased raw material prices for steel, copper and other commodities.

Although many manufacturers have passed on higher raw material prices and enjoyed steady volume growth, several have warned that the second half could be hit by cuts in European vehicle production.

Nevertheless, large engineering groups such as GKN and T&N, which reported increased interim pre-tax profits of £161.2m (£95.7m) and £73.2m (£61m) respectively, predicted that they could withstand weaker demand in mature mar-

kets by exploiting opportunities in high growth areas such as Latin America and the Pacific Rim.

Sir David Lees, chairman of GKN, predicted that the need to expand internationally could lead to a polarisation of UK engineering, with only the largest companies able to serve customers on a global basis.

The medium and smaller-sized engineers, he suggested, could be forced to make disposals and become specialist manufacturers relying on exports from UK plants.

While reporting increased profits, several medium-sized engineers have already announced plans to sell non-core businesses in the second half.

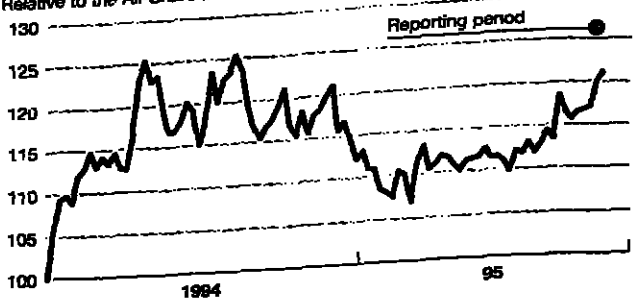
APV, for example, reported a 22 per cent rise in pre-tax profits to £7.1m (£5.8m) but said it would sell five businesses to concentrate on manufacturing food and drink equipment.

Hunting, the aviation, defence and oil equipment group, this week hinted at disposals in its aerospace arm, where its business aviation and overseas aircraft services have been hit by increased competition.

Hall Engineering (Holdings), which last week announced

Engineering, Vehicles

Relative to the All-Share (FT-SE-A Index)



Source: FT Index

pre-tax profits up from £2.01m to £2.4m said it too was considering a withdrawal from under-performing areas.

Meggitt, which yesterday reported flat first profits of £8.08m (£8.58m), also plans to sell several non-core subsidiaries by the year end.

Such moves have helped other small companies return to profit, including Simon Engineering, the process plant and mobile platform group.

The company, which has sold 14 subsidiaries in the past 18 months, reversed a first half loss of £12.4m last year with profits of £2.4m this time.

Given the uncertainties created by such restructuring and signs of softening demand in Europe and North America, the sector's pie ratio is expected to fall from its present 16.2 to about 14 in 1996.

Even then, the sector would still be rated at a premium to the market. Considering that it traded on a 30 per cent discount during the worst years of the recession, that suggests UK engineering is set for continued growth.

This is the second in a series on the recent results season. The Life assurance sector was considered yesterday.

Unipart to fight a renewed Rover bid

By John Griffiths

Rover Group, the UK carmaker owned by BMW of Germany, is planning to make an increased offer to regain control of Unipart, its former parts subsidiary, before the end of the year. Unipart executives have told the institutions which hold a

pivotal 34 per cent of its equity that they will oppose a new bid "at any price".

The institutions and management of Unipart, which employs 3,800, have already turned down an approach from Rover to buy for £150m-£170m (£265m) the 80 per cent of the equity it does not already own.

Managers and employees between them own 48 per cent of Unipart's equity, for which Rover received £30m when the parts company was privatised through a management buy-out in 1987.

Neither Rover nor BMW has acknowledged making the first offer, nor that Rover will shortly make a higher one.

RESULTS

		Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividend yield (%)	Total for year	Total last year
Amstrad	Yr to June 30	271.6	(238.9)	3.06	1.5	Oct 1	1.5	2.5	2.5
Barry Wehmiller	Yr to July 31	90.4	(82.1)	7.08	4.3	Jan 3	4.3	7.3	6.7
Bridgend	6 mths to June 30	8.12	(8.17)	0.084	0.1	Jan 8	0.1	0.1	0.2
Brund	Yr to June 30	12.7	(40.3)	17	0.5	Jan 31	0.5	0.5	0.5
Dunston Int'l	6 mths to June 30	24.3	(29.2)	0.526	0.5	Nov 9	0.5	1.5	1.5
Ferran	6 mths to June 30	16.9	(19.5)	2.93	0.5	Nov 9	0.5	0.5	0.5
Galliford	Yr to June 30	209.6	(219.8)	1.17	0.5	Nov 2	0.5	1	1
Haghighi	6 mths to July 31	56.4	(53.8)	0.583	0.5	Nov 30	0.5	1.3	1.3
Hughes (TJ)	6 mths to June 30	22.1	(21.1)	0.062	0.5	Jan 2	0.5	2.05	2.05
Jalisco	6 mths to June 30	56.9	(67.7)	3.8	2.41	Nov 14	2.41	10	10
Lawrie	6 mths to June 30	104.8	(83.9)	1.33	(8.7)	Nov 15	15	94	94
McIntyre	Yr to June 30	441.2	(453.2)	27.1	14.7	Nov 15	14.7	3.93	3.93
Meggitt	6 mths to June 30	186	(181.7)	8.08	2.2	Dec 1	1.3	3.93	3.93
Turkey	6 mths to June 30	1.19	(1.28)	0.003	0.03	Nov 21	1.5	4.35	4.35
Wescott	6 mths to June 29	6.14	(5.9)	0.036	0.059	Nov 21	1.5	4.35	4.35

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. After exceptional credit. After exceptional charge. 10n increased capital. Foreign income dividend. *Pro forma.

THE SCOTTISH PROVIDENT INSTITUTION
SCOTTISH PROVIDENT ASSURANCE LIMITED
PFM ASSURANCE LIMITED
SCOTTISH PROVIDENT MANAGED PENSION FUNDS LIMITED

A Petition having been presented for their approval to the Court of Session by the Scottish Provident Institution, a mutual life office incorporated in Great Britain by Act of Parliament and having its registered office at 6 St Andrew Square, Edinburgh EH2 2YA, for sanction of a Scheme under which the long term business of Scottish Provident Assurance Limited, PFM Assurance Limited and Scottish Provident Managed Pension Funds Limited are to be transferred to the Scottish Provident Institution, the Lord Ordinary has pronounced an Interdict in the following terms at Edinburgh on 11th August 1995.

"The Lord Ordinary appoints the Petition to be intimated on the Walls in common form and to be advertised once in each of the Edinburgh Gazette, the Belfast Gazette, the London Gazette, The Times, The Financial Times, The Scotsman, The Herald and The Belfast Telegraph newspapers; grants Warrant for service of the Petition as framed, together with a copy of this Interdict, upon the parties named and designed in the schedule annexed thereto; allows them and any other party claiming an interest to lodge Answers, if so advised, within 21 days after such intimation, advertisements, and service; directs registration of the aforesaid advertisements, this Petition and a copy of this Interdict with the Department of Trade and Industry dispenses with the requirements of paragraph 2 (2) (b) of Schedule 2C of the Insurance Companies Act 1982."

Any party wishing to object to the approval of the said Scheme should lodge Answers with the Deputy Principal Clerk of Session, Parliament House, Edinburgh within the period specified herein. Copies of the Petition and the Scheme and of a report on the terms of the Scheme prepared by an independent actuary will be available for inspection from the date of this notice until the date of the final hearing of the Petition at the registered offices of the Petitioner: the said Scottish Provident Assurance Limited; the said PFM Assurance Limited; and the said Scottish Provident Managed Pension Funds Limited; and also at the offices of the Scottish Provident group specified in the undernote hereto.

All of which intimation is hereby given.
Dated the 6th day of October 1995.
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UNDERNOTE: Scottish Provident offices where copy documents may be inspected.

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RECRUITMENT

JOBS: Leadership in multinational companies requires sharp focus and adaptability

Treading the boards of business

Even those who do not enjoy browsing through the sayings of others are familiar with Malvolio's quotation from Shakespeare's Twelfth Night that "some are born great, some achieve greatness, and some have greatness thrust upon them".

But the question that Malvolio failed to address is what exactly constitutes greatness - a puzzle that has defeated many students of the human condition in the 400 years since the Bard wrote his plays. One company that has recently tried to identify the common traits or qualities that define superior leadership is Hay McBer, the human resource consultancy.

Hay has not concentrated on political leaders, or even the chief executives of large companies. Instead it has focused on those managers responsible for a company's operations in a particular country.

What qualities do they need, more than anything else, to perform well in their role as country manager? And are these the constituents of what Hay calls the global leader? Since 1994 it has interviewed 58 chief executive officers from top-performing companies in 14 countries across a broad spectrum of industries.

The interviews are both lengthy and intensive, structured in a way that enables the researchers to

pluck out those differentiating traits or abilities which, after comparison with others, distinguish superior performance.

These so-called behavioural event interviews were devised by David McClelland, a US psychologist, to determine key competencies needed to do various jobs. Competencies was the term he chose to define human characteristics that differentiate outstanding from typical performance.

McClelland has long been and remains a strong advocate of the interview as the only effective way of finding these differentiating traits or skills. Unlike personality tests which discover what people like to do, the behavioural event interviews, say Hay, reveal what people actually do when they are working.

One thing that became quickly apparent among the actions of the best executives was that instead of spending time taking stock at the beginning of an appointment, they tended to focus rapidly on taking actions necessary to pull off a short-term success. The good ones

were also able to adapt swiftly to the cultural differences. Hay McBer has picked on these two qualities, international adaptability and the ability to sharpen their focus, as essential ingredients of top multinational executives.

Focus sharpening, says Hay, is supplemented by an ability to build commitment among important stakeholders: the board of directors, strategic partners, institutional investors, employees, customers and national governments.

The study observed in the most successful business leaders a strong need to achieve and continuously improve as prime motivators, but oddly, considering the continuing controversy over executive pay, money did not feature.

The leadership research found that typically the best executives had a broad knowledge and interest in issues and information outside their normal business boundaries. They could think conceptually in terms of the big picture. And both these abilities could be combined to provide what Hay calls "decisive insight" to give

a clear direction for the business.

Competencies that could be clustered towards building commitment, says Hay, are organisational know-how, judgement of people and ability to influence people. In addition to the need for high degrees of self-confidence in their drive for success, the study also found evidence of social responsibility among the better country managers. More than half the managers in the study said they felt their role extended beyond the confines of the company towards using their power and influence for social change.

It should be noted that the study chose those core competencies above, say, language skills or technical acumen. It was also noticeable that the report did not pick up on less admirable qualities that we might have observed in some prominent leaders such as those capable of demonstrating ruthlessness or a capacity to be scheming, cunning or manipulative. Either these were not prevalent or they were in the main considered irrelevant to the overall picture.

The positive qualities singled out by Hay do not seem particularly surprising, but it would be wrong to conclude that nothing changes in the qualities necessary for leadership.

An earlier Hay McBer study of the managerial styles among senior executives in the US life insurance industry found that all had a combination of management styles: a mixture of authoritative - the quality that produces long-term direction and vision - democratic and pace-setting approaches.

The best of them, however, could include coaching and affiliative styles in their repertoire. These people, says Hay, believed in the importance of professional development for long-term results, hence the coaching style. The affiliative description applies to those who exhibit a genuine concern for employees. Creating co-operation and commitment are important objectives in the affiliative style of management.

Hay believes the findings suggest an historical shift in leadership styles at the top of companies. The

study said: "During the first 100 years of industrial capitalism, heads of industry relied more on coercive and pace-setting styles."

"By the 1960s and 1970s, chief executive officers often exhibited democratic and authoritative leadership styles. Today it is clear that CEOs must develop coaching and affiliative styles of leadership."

The latest Hay study attempts to refine these new leadership requirements for the multinational business. It may explain why the more charismatic business leaders have faded from the scene. Business is changing in line with society. Just as the world is attempting to adopt greater and broader social responsibility, so this is being reflected in business.

Chris Dyson, a director of Hay McBer in the UK, points at Percy Barnevik, chief executive of ABB, the Swedish-Swiss multinational engineering group recently judged the most respected company among European managers, as an example of the new generation of managers.

"I wouldn't categorise Percy Barnevik as a ruthless person," he says. "I see him as insightful, drawing on input from a wide range of sources, not just that which is gained from the managerial board."

Barnevik has also sought to create a multinational culture within higher management with five nationalities represented on their executive board.

Dyson believes, therefore, that the late 20th century is demanding a new type of leader, perhaps best described by Robert K. Greenleaf, the US management writer, in his book Servant Leadership.

But while the skills to become such a manager can be developed, there is little evidence that people are capable of changing their personalities. It still appears that leaders are born rather than made. Perhaps Warren Bennis, another management writer, came close to the best that management development can hope for in suggesting that "leaders are born, then made".

The Hay global CEOs' study is due to be published later this month. Copies will be available, free of charge, from Sandra Gosden at Hay Management Consultants, 52 Grosvenor Gardens, London SW1W 0AU, tel 0171 873 9127.

Richard Donkin

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Softlab GmbH, Personnel and Organisation Department, Zandorfer Str. 126, 91577 Munich

softlab

A BMW Company

CJA RECRUITMENT CONSULTANTS GROUP

A high profile career development opportunity in a leading area



PROJECT LEADER PRIVATISATION AND PFI STUDIES

LONDON £35,000-£46,000+ performance related bonus

In addition to auditing public sector accounts, the National Audit Office reports to Parliament on the economy, efficiency and effectiveness with which these bodies use their resources and has a reputation for excellence in this area. Working in the business unit responsible for the audit of privatisations, the Project leader will head a small team investigating and reporting on value for money in privatisations and PFI projects. Financial analytical and computer modelling skills, an understanding of how major projects are financed and of pricing risk sharing are essential, as well as the ability to ask probing questions and reach sound conclusions on the balance of risks/costs/rewards. We invite applications from candidates with public or private sector (merchant bank, major accounting firm or corporate) backgrounds, at least 3-4 years' experience in one or more of the above areas and familiarity with the Whitehall environment. The position calls for persuasive communication skills and the ability to produce convincing, well structured reports. Initial remuneration negotiable £35,000-£46,000 + PRB and non-contributory pension scheme. Applications in strict confidence under reference PPF5155/FT to the Managing Director, CJA

CJA RECRUITMENT CONSULTANTS GROUP

Scope for rapid career development and for equity participation



EUROPEAN EQUITIES ANALYST

£25,000 - £35,000 + BONUS

INDEPENDENT INTERNATIONAL INVESTMENT BOUTIQUE - £2.5 BN. UNDER MANAGEMENT
Our client is an established firm which has grown rapidly and has a substantial blue chip US pension fund client base. The performance of the £1.25 bn of European investments has been consistently top quartile. The emphasis is on stock picking and "supply side" analysis, focusing on variables that are under the control of companies rather than the economic environment. The successful applicant for this new position will work closely with the European Director, as a team of two, and will have a broad brief across the range of industries in the UK and European markets. We invite applications from candidates with a good degree from a leading university and a minimum of 18 months' investment or research training with a leading institution and ideally part or qualified IIMR. Computer literacy and a willingness to travel are essential. We seek an individual with a fascination for the investment process and the flexibility to join a small, youthful team. Initial remuneration is negotiable £25,000 - £35,000 + excellent bonus and good company benefits. Applications in strict confidence under reference EEA5139/FT to the Managing Director, CJA.

شركة رنا للاستثمار
Rana Investment Company

CORPORATE FINANCE SAUDI ARABIA

Rana Investment Company is a leading private investment company in Saudi Arabia, with investments in Asia and America, as well as its home market of Saudi Arabia and the Gulf. It is expanding and diversifying its activities. To strengthen its existing team, the company is looking for an

International Investment Banker

The Job: to identify international investment opportunities in funds, mergers & acquisitions, emerging markets, new products and real estate etc. The job includes developing transaction specific products for funding M & A (convertible bonds, subordinated debt, straight bonds, preferred stock, equities etc.) and analysing privatisation opportunities. The job holder would report directly to the General Manager.

Experience: a minimum of 7-10 years in international corporate finance, including handling of mergers & acquisitions in developed and emerging markets. A good understanding of international laws pertaining to investment, taxation, ability to work and co-ordinate with lawyers, and fundamental and technical financial analysis is essential. Experience in handling international products floated for M & A activity is desirable. Candidates should have good contacts with international investment houses for high quality deal flow as well as equity funding and loan syndications.

Candidates must have the ability to complete transactions independently and the flexibility to adapt their skills to unfamiliar conditions.

Salary/bonus: is negotiable and would not be a constraint for the right candidate. Housing and other benefits would be part of the package. Location would be Riyadh. Candidates are invited to submit their complete CVs, stating current remuneration details, immediately to:

Box No : A5842, Financial Times, One Southwark Bridge, London SE1 9HL

McKinsey & Company

Higher Fliers.

In investment banking, as in every industry, there are individuals whose performance is consistently above the norm. These people, used to being at the forefront of their peer group, are highly valued by their employers - and highly sought after by their competitors.

At McKinsey, one of the world's most influential management consultancy firms, we're even more choosy. We're not looking simply for the best investment bankers, but for those who can apply their abilities to a far greater variety of business problems, at the top levels of management.

This is your opportunity to expand considerably on your talents and experience with an international firm, and to influence the strategies of a wide range of businesses and institutions.

As a member - or leader - of a team comprising both consulting colleagues and clients, you will be involved at every stage from defining objectives and initial concepts, to final execution. From the beginning, your contribution will have a direct - and often dramatic - effect on the performance of our clients' organisations.

It's not a career for average thinkers. Nor for those with anything less than a consistently excellent record of progress, including at least a 2.1 degree and between three and seven years' blue-chip investment banking experience, with significant achievement at every step of the way. We're looking for those involved in top-level corporate finance, or the sale and trading of sophisticated financial products. You may well also

have an MBA, accountancy or law qualification.

The benefits of a career with McKinsey are manifold. Not only will you encounter a unique variety of intellectual challenges; you will also have the opportunity to broaden your skills across the full range of top management issues. As a strict meritocracy, we will ensure that you make the progress you deserve, as quickly as you deserve. And, as many of our alumni can attest, we offer the ideal environment in which to develop your capabilities as a future general manager.

If you want to fly even higher, don't hold back. Write with your detailed cv to Liz Cook at McKinsey & Company, 1 Jermyn Street, London SW1Y 4UH (Fax: 0171 873 5801), quoting ref: IB/FT/95.



les Echos
Le Quotidien de l'Economie

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone: Toby Finden-Crofts on +44 171 873 3456

مكتبة النجوم

FINANCIAL SERVICES OPPORTUNITIES

IFSC - Dublin

Our client is a major international financial institution which has an operation in the International Financial Services Centre in Dublin.

MERC Partners has been retained to assist in the recruitment of the following personnel:

Mutual Fund Marketing and Product Development Ref: 95402

The person appointed will bring a creative approach to researching, developing and structuring new mutual funds products.

Candidates in the 25 - 31 year age group will ideally be experienced in product development and will have a good understanding of portfolio management, marketing and investor taxation requirements. An innovative approach to product structuring together with strong technical and interpersonal skills will be essential.

Portfolio Administration Supervisor Ref: 95403

Reporting to the Portfolio Administration Manager, the person appointed will be involved in the preparation of fund valuations, the dispatch of settlement instructions and the management of a small team.

Candidates in the 25 - 28 year age group will have previous experience (ideally at supervisory level) in the unit trust / valuation / settlements areas gained, preferably, in an international financial institution.

Remuneration will be attractive for both positions.

Please write - in strict confidence - enclosing a curriculum vitae and quoting the appropriate reference number to:

Brian G. Ward,
MERC Partners,
Number Twelve,
Richview Office Park,
Clonsilla,
Dublin 14.
Fax: 353-1-2830550
E-mail: postmaster@merc.ie



Selection & Human Resource Consultants

Senior Bond Analyst
International Investment Banking

Excellent Remuneration

Commerzbank, one of the leading German banks with assets of around \$240bn and core capital in excess of \$7bn, is looking to strengthen its international bond research operation.

We currently invite applications from high calibre market strategists with a proven track record gained in the bond, quant or economics research department of a blue chip investment bank.

The work ranges from the analysis of structural breaks in the world economic or financial system to carefully targeted in-depth data analysis; from arbitrage model building to the publication of long-term strategic calls; and from the appropriate use of market contacts to academic level contacts and publications.

Valuable assets might include an MSc or PhD in economics or mathematics; good knowledge of, and contacts in, several of the core European markets (with associated language skills); and/or similar experience in an east European market.

We return the offer excellent potential for personal advancement and a remuneration package which fully rewards each individual's contribution.

Please send your CV to Dr Ludger Neuhausen,
Investment Bank (221), Commerzbank,
Postfach 10 15 50, 60060 Frankfurt, Germany.
Tel: 49-69-1362 9357.

COMMERZBANK
ANTIENGESELLSCHAFT

SENIOR INVESTMENT
EVALUATION OFFICER

MIDDLE EAST - £45K + EXCELLENT BENEFITS

Our client, an International Investment Company, is a major part of a National Oil Company. They are responsible for major investment programmes and expansion projects in energy and related industries outside the Middle East. They now need to augment their management team with the recruitment of a suitable candidate for the above position.

The primary role will be to conduct preliminary studies on new investment proposals and opportunities as well as to review proposals for major expansion projects in existing investments.

The ideal candidate should have a degree in Chemical/Process Engineering and preferably a Financial or Management qualification with a minimum of five years relevant experience in the refinery or petrochemical industry. You should have sound understanding of the changing demands of oil products worldwide. An analytical and creative approach to work is essential. The preferred age is between 30 to 45 years.

An attractive benefits package is offered which includes open ended contracts, family accommodation, furniture purchase allowance, medical care, 42 calendar days annual leave, passage for employee and eligible dependents, education assistance for eligible children, interest free car purchase plan, insurance coverage, subsidised recreation club memberships and end of service bonus.

Qualified candidates should forward their detailed CV, by 26th October 1995 to Philip Dee, Premier Personnel Ltd., 25/29 High Street, Leatherhead, Surrey KT22 8AB. Tel: 01372 379183 Fax: 01372 372301.

PREMIER
PERSONNEL



We are a rapidly expanding advisory company specialising in fund management analysis and reporting.

We are seeking a high calibre individual to join our performance analysis team. The successful candidate will apply the latest quantitative analytical techniques to track and analyse the performance of funds. Additionally, the candidate will need to interview a substantial amount of hedge fund managers to keep updating our quantitative and qualitative database.

Only applicants with a strong knowledge in financial markets will be considered.

The remuneration package will be both attractive and highly competitive. Interested applicants should write in confidence enclosing a curriculum vitae to:

Karin Hilbölling
Atlas Capital Ltd.
(regulated by IMRO)
5 Clifford Street,
London W1X 1RB

DERIVATIVE PRODUCTS

We are currently working on behalf of several 1st Tier US and European Banks based in London, New York and Hong Kong.

In response to their requirements - we are seeking derivative specialists for key roles existing in Trading, Sales/Marketing and Quant research for the following areas:

- Structured Products
- Interest Rate Swaps & Options
- Currency Swaps & Options
- Fixed Income
- Equity
- Risk Management

For further information, please call or write (in complete confidence) to Ann Williams, Paul Sugarman or Bill Philo.

SUGARMAN GLOBAL SEARCH

78 OLD BROAD STREET, LONDON EC2M 1QP
TEL: 44 (0) 171-638 8717 Fax: 44 (0) 171-256 8362

CORPORATE & PROJECT FINANCE

CORPORATE FINANCE
EXECUTIVES
TO £35,000

+ Substantial Package

One of the world's largest banks based in London with a highly prestigious UK and overseas client portfolio wish to appoint executives to the Corporate Finance team. Due to sustained growth in business volumes the successful candidates will enjoy a varied and constant deal flow offering significant world-wide exposure and excellent career level experience and training. The organisation is keen to grow the division organically and therefore require very high calibre personnel. Candidates will possess a numerate degree (2.1 or above) and ACA 1st tier passes gained from a top practice. Alternatively a European background together with relevant experience of cash flow analysis or financial modelling would also be considered. European languages would be a distinct advantage.

PROJECT FINANCE
MANAGER
TO £70,000

+ Substantial Package

The client, a major international bank with a significant global presence in Project Finance, requires a manager with the ability and potential to lead the division within the next two years. Based within the UK's European Headquarters you will enjoy the full commitment of the bank to this area together with the support and ambition of senior management. Candidates will possess a very strong academic background, a proven track record dealing with major high profile transactions, and the ability to provide a major input to the continued development of the team. Management, interpersonal and negotiation skills in addition to an in-depth technical knowledge will all be major deciding factors in all applications.

As specialists within the Corporate and Project Finance areas we are constantly interested in hearing from experienced candidates at all levels.
For further information please contact Julian Davey or David Goodrich

PRIME executive
APPOINTMENTS

EUROPEAN
EQUITY SALES

Salomon Brothers, a leading financial institution, is seeking a highly motivated individual to join a team of professionals selling UK and European equities to US institutional clients. The position will be based in New York.

Candidates should be educated to graduate level with in-depth experience in their field. They must have well-developed interpersonal and communication skills and be able to demonstrate a successful track record in sales.

If you are interested in joining the Salomon Brothers team, please send your CV with a covering letter in complete confidence to Judith Sweetman, Salomon Brothers International Limited, Victoria Plaza, 111 Buckingham Palace Road, London SW1W 0SR.

Salomon Brothers

New York
based
excellent
+ bonus
+ benefits

INVESTMENT WRITER
Competitive Salary and Benefits

Gartmore is one of the success stories of the City. We are a leading fund manager, based in the UK, with a significant presence in the management of pension funds, unit trusts, offshore funds and investment trusts.

Due to continued expansion in our international business, we are looking to expand our Client Service team with the appointment of an Investment Writer. Reporting to the Head of International Client Services, your role will be challenging and demanding. In close consultation with our fund managers, you will be responsible for writing investment reports and commentaries for our international clients, and seeing them through to final production. In addition, you will be required to edit and proof-read other corporate investment documents.

Ideally, you will have a minimum of two years' experience either in investment writing in retail services or in financial journalism. A knowledge of the fund management industry would be an advantage. More importantly, you will have the ability to demonstrate an aptitude and enthusiasm for effective written communication, and be confident in liaising at all levels. Your calm temperament and strong personal organisation skills will be used fully in meeting the demanding schedule of deadlines.

If you are interested in this role, please apply with CV and covering letter outlining how you meet our requirements to Lois McLean, Senior Personnel Manager, Gartmore Investment Limited, PO Box 65, 16-18 Monmouth Street, London EC3R 8QP.

Gartmore

Gartmore Investment Limited is regulated by IMRO and the Personal Investment Authority, and is a member of the Gartmore marketing group which markets pension schemes, regulated collective investment schemes and investment services.

GERMAN
COMPANY

Looking for FTSE-trader,
call 0049 282296770

We, a newly established Trade Finance Company, need for our London office, an experienced (min 10 y) and entrepreneurial person, male or female, to facilitate trade finance for commodities and to handle and negotiate all documentation from our worldwide operation. In addition, you have experience in facilitating of industrial and infrastructure projects in Asia and South America.

Send CV to CFI Asia, Fax (852) 525 2813

APPOINTMENTS WANTED

EASTERN EUROPEAN SUBSIDIARIES,
JOINT VENTURES OR FEASIBILITY STUDIES

Russian speaking Dane, 33, MBA, B.Sc. Engr., undertakes short or longer-term Eastern European assignments. Has extensive project experience in Russia and Czechoslovakia, including setting up from scratch ISO 9002 certified 100% export oriented mechanical factory in Russia while establishing sales to leading Western European machine builders.

Please fax
Michael Esper Andersen at +45 31 51 96 36

Salesperson - Fixed Income Products

We are seeking a salesperson to join our Global Relative Value Team in London. You will be responsible for translating the research ideas from the team into sales of bonds, futures, options and swaps to investors in Europe, US and the Far East.

You will be educated to MBA level and have at least two years experience of research driven fixed income and derivative sales to

German speaking clients. Accordingly you must be fluent in German and English. Experience of dealing with hedge fund and US based clients would be advantageous as would fluency in other European languages, in particular French.

A competitive remuneration package is offered which will include discretionary bonus, car allowance, non-contributory pension, and banking benefits.

Applications should be sent to:
Stephen Brooks, Personnel Director, Morgan Grenfell & Co. Limited,
23 Great Winchester Street, London EC2P 2AX

Deutsche Morgan Grenfell

DC GARDNER

City based with frequent international travel

DC Gardner, a division of Euromoney, and a leading provider of financial training, is seeking a Managing Consultant to head up its new Investment Management/Equity Analysis unit, and a Consultant for its Capital Markets/Treasury area. Consultants at DC Gardner create and deliver highly tailored programmes at all levels for financial institutions.

INVESTMENT MANAGEMENT MANAGING CONSULTANT

This senior position involves heading up a new profit centre and generating new business as well as delivering training. Candidates will need at least 7 years of front office experience in equity sales to the institutional sector or as a fund manager. A solid knowledge of derivatives and a good academic background are essential.

CAPITAL MARKETS/TREASURY CONSULTANT

Candidates for the position in Capital Markets/Treasury will need to demonstrate a high level of technical expertise gained by front office experience in a dealing room, in trading or sales. Although this experience could be gained in any product area a significant exposure to derivatives and a good academic background are required.

Although training experience is not a requirement candidates must have the personal enthusiasm and credibility to communicate technical expertise in an authoritative and professional manner. These positions are likely to appeal to self motivated candidates wishing to embark on a positive career change and capitalise on their previous finance experience.

An attractive compensation and benefits package is offered. Please reply by 20 October 1995 with CV and stating the position being applied for, to: Bernadette Swithenbank, DC Gardner Training, Nestor House, Playhouse Yard, London EC4V 5EX

ACCOUNTANCY APPOINTMENTS

Financial Controller

Morocco

c £65,000 package

Our client is an international food distributor with a multi-million pound turnover which has recently entered into a Joint Venture partnership in Morocco, as part of its plans to develop this market.

They now seek a Financial Controller, whose task will be to ensure that the financial integrity and security of the Joint Venture are established and maintained. Reporting through directly to the Joint Venture partners, the person will be expected to develop robust financial controls and reporting procedures, maintain local books of account, establish local budgets and forecasts, produce monthly and ad-hoc reports such as sales analyses and cash flow projections, as well as assisting with personnel and administration matters.

The successful candidate will need to be a fluent French speaker with demonstrable accounting skills gained through hands-on experience. He or she will demonstrate high levels of tact, diplomacy and influencing skills, with the ability to form productive working relationships with the local partner. There is an undoubted need to be resilient, adaptable and professional enough to deal with occasionally conflicting demands.

Interested candidates should forward a comprehensive CV, including a day-time telephone number and quoting ref. 253119, in strictest confidence, to Hugh Everard, Director at Michael Page International, Page House, 39-41 Parker Street, London WC2B 5LH or by fax to + 44 (0) 171 404 6370.



Michael Page International

International Recruitment Consultants
London Paris Amsterdam Dusseldorf Frankfurt Hong Kong Sydney

Corporate Controller

Brussels

£ Competitive

Our client is a UK quoted international cosmetics business. The company operates in 40 countries world-wide through more than 20 subsidiaries. It has experienced annual profit growth of 15% over each of the last five years and continues to be highly successful.

As a result of internal promotion, they seek to recruit a Corporate Controller with the following responsibilities:

- Management of a finance team.
- Quarterly analysis of worldwide business performance.
- Presentation and analysis of group accounts.
- Budgeting and forecasting.
- Group Treasury responsibilities.

- Travel of 10-20% to the Group's worldwide sales and marketing subsidiaries.

The successful candidate will be 27-33 years old, qualified ACA or ACCA with a track record of success and a commercial orientation. Equally important is the ability to manage and communicate in a multi-cultural European environment. It is not necessary for candidates to possess a fluency in an additional European language, since all business is conducted in English.

If this commercial opportunity, based in Brussels, is of interest please send a full CV to Peter Gerrard at Michael Page, 39-41 Parker Street, London WC2B 5LH or fax CVs to 0171 242 1020 (Reference 247480).



Michael Page International

International Recruitment Consultants
London Paris Amsterdam Dusseldorf Frankfurt Hong Kong Sydney

Operational Audit

Nr Amsterdam

c £45,000 + Benefits

Fast growing Dutch international company seeks a high calibre professional (UK: ACA, NL: RA) preferably with 'Big-6' experience and 2-5 years ppe.

The company has interests in Europe, the Americas and the Far East with anticipated revenues in 1996 of approximately £3 billion.

The successful candidate will report to the Director of Audit. You will be expected to travel up to 80%, probably half of which will be in Europe, concentrating on operational and financial reviews and special projects including acquisition reviews across a range of businesses.

Working knowledge of German is desirable. Interpersonal skills and the ability to operate with limited supervision in the conduct of assignments and reporting are key. You should expect to undertake this role for a period of 2-3 years.

Opportunities for career progression within the group are excellent.

Candidates should send their curriculum vitae to Caroline Stockdale ACA, Michael Page, Byzantium, Stadhouderskade 14 b, 1054 ES Amsterdam (fax 00 31 20 612 3331) or telephone her on 00 31 20 612 9101.



Michael Page International

International Recruitment Consultants
London Paris Amsterdam Dusseldorf Frankfurt Hong Kong Sydney

HODDER HEADLINE PLC

GROUP MANAGEMENT ACCOUNTANT

C. £45,000 package

based near Abingdon in Oxfordshire

Hodder Headline is a profitable publisher with an annual turnover of over £80 million. It is developing rapidly through organic growth and acquisition. The Group publishes a wide range of books in the fiction, non-fiction, religious, children's, educational and academic markets with operations in the UK, Australia, New Zealand and South Africa.

This demanding role will require a qualified graduate accountant with a strong background in management accounting providing direct service to senior line management. Reporting to the Group Financial Controller, the successful candidate will head a team of management accountants with reporting responsibilities for the Group's 10 UK operating divisions. The immediate challenge is to upgrade and direct the implementation of a wide programme of change in order to support the Group's ambitious growth plans.

We are seeking an individual who is proactive, highly IT literate and possesses well developed communication and analytical skills. The successful candidate will be in his/her mid-thirties ideally with experience in book publishing.

Please write with full CV to:

Ms Elke Behrens, Personnel Manager,
Hodder Headline PLC, 338 Euston Road, London NW1 3BH

Price Waterhouse

EXECUTIVE SEARCH & SELECTION

Financial Planning and Analysis
Major Retailer

Our global brand is pre-eminent throughout the world. The organisation is going through a period of significant change resulting in excellent opportunities and challenges for outstanding experienced individuals who we expect to make a significant impact on the development of the business.

We believe financial planning and analysis is fundamental to the understanding and exploitation of the competitive drivers of our business. Operating at the centre, responsibilities and influence will impinge across all areas of the retail supply chain from product pricing and supplier relationships through to store strategy.

Director c.£70,000

Working very closely with the Group Finance Director and Chief Executive, you will contribute to both stores and product strategy at the highest level. You will work closely with operational managers on planning issues and, through commercial analysis, identify opportunities for development and examine areas of under-performance.

You will be a qualified accountant or MBA and will already be operating at a senior level in a commercial, customer led environment requiring significant management skills. You will have experience in retailing and/or merchandising, and ideally will also be IT literate with a track record of developing IT solutions in a decision support environment.

Ref: A/1588

Managers (2) c.£45,000

These positions will concentrate on specific activities within the business providing hands-on decision support to merchandisers and operational managers on all aspects of the key business drivers within the retail product, wholesale and licensing areas of the business.

You will be either a qualified accountant or have an MBA with 5-8 years experience in a commercial environment. You will be highly numerate, IT literate and possess first class interpersonal and commercial skills. Specific experience within retail or merchandising is necessary for one of these roles.

Ref: L/1589

For all three positions, the personal characteristics sought are as critical as the right experience. You will be self-confident, 'quick on your feet', and assertive. Working at the heart of a dynamic and ever changing public company, these roles will both challenge and reward those with the qualities that we seek.

Please write to our advising consultant Alannah Hunt, quoting the appropriate reference, with full CV and reasons why you feel you meet these requirements.

Executive Search & Selection, Price Waterhouse, No 1 London Bridge, London SE1 9QL.
Fax: 0171 403 5265. Internet: Alannah.Hunt@Europe.notes.pw.com

NATIONAL EXPRESS

Group Treasurer

Challenging role for an outstanding professional to manage this rapidly growing Group's treasury operations

Winchester

c. £55k + bonus + benefits

Since its flotation in 1992, National Express Group PLC has achieved significant and profitable growth both organically and through acquisition. The Group is primarily engaged in the public transport market through express coach, bus and airports businesses in the UK and Continental Europe. Market capitalisation is currently over £400 million.

This growth, together with future strategic plans, has resulted in the creation of the role of Group Treasurer who will report to the Group Finance Director. This is an exciting opportunity for an experienced individual to join a rapidly expanding group and establish and manage all treasury issues in a cash-rich environment.

Key responsibilities will be to maximise the return on cash, develop and maintain effective bank relationships, and arrange the financing of capital expenditure. Additional requirements will be to create appropriate systems and procedures to monitor and control risk.

Candidates should be ACT qualified and ideally qualified accountants who have gained considerable relevant experience within a corporate rather than an institutional environment. In addition, some knowledge of European foreign exchange management is sought.

The individual will need to be comfortable in operating at a senior level within a small, informal and highly dedicated head office team and have the drive and commitment required to assist with the continuing success of the business.

Please outline your suitability for the appointment and send your curriculum vitae, including current remuneration, to Carrie Andrews at Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 3NH, quoting reference CA674.

ERNST & YOUNG

BRITISH AEROSPACE



Outstanding Finance Opportunities

Nationwide appointments

Excellent package

As a reader of this newspaper, you will be aware of British Aerospace's outstanding performance over the last two years. The recent interim results show profits up 113%, cashflow firmly under control and improved productivity and cost reduction across the Company.

Internal Audit plays a significant role in the drive for continuous improvement and these opportunities, which are dispersed throughout the operating divisions of the Group, will provide an excellent springboard for talented people to take up senior financial management appointments at an early age.

For all positions, we are seeking dynamic, qualified accountants who not only have an excellent knowledge of current auditing techniques but also a good insight into modern business and management methods. These are demanding and intellectually stimulating roles which call for well developed interpersonal and communication skills and a high degree of self motivation.

Competitive salaries, together with a comprehensive range of benefits, emphasise the commitment of the organisation to its team members.

Please send a detailed cv, which clearly indicates recent achievements relevant to the position applied for, to our retained Consultant, Richard Harris, NEXUS Resources Limited, PO Box 77, Bristol BS99 7AR. Fax No: (01275) 817888.

Audit Managers

A qualified accountant, you are likely to be a graduate with three to four years' post-qualification auditing experience, having worked in either industry or accountancy practice.

As a key leader in the team, you will need:

- the ability to handle issues objectively
- an innovative approach to problem solving
- the credibility and persuasiveness to promote change

Computer Audit Managers

With similar qualifications and experience to the above you should be able to demonstrate extensive expertise in the review of complex computer systems based on a range of hardware platforms. It is essential that you are able to respond to the challenges presented by the dynamic IS environment in the Company.

Internal Auditors

Several opportunities are available for newly qualified accountants who have had good auditing experience and are looking for a challenging and rewarding change to their career.

BRITISH AEROSPACE



مركز العمل

Group Finance Director

Major Plc

Package in excess of £100,000

North

Exceptional opportunity and challenge within blue chip environment.

THE COMPANY

- Established group, turnover £500m plus. Provider of broad ranging industrial services to wide customer base.
- Healthy balance sheet. Well regarded by the City.
- Strong management team. International expansion through joint ventures.

THE POSITION

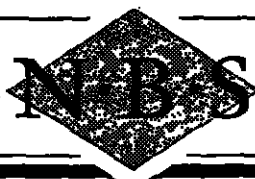
- Key member of senior executive team. Total responsibility for group financial affairs. Report to Chief Executive.
- Develop annual budgets and strategic plans. Review performance of individual businesses. Protect growth and profitability of group.

- Maintain and enhance excellent relationships with the City.

QUALIFICATIONS

- Qualified chartered accountant. Successful track record as finance director of substantial business. Likely age: 35 plus.
- High level exposure to treasury matters, mergers and acquisitions, banking relationships. International experience.
- Outstanding performer with cutting edge. High level of energy. Excellent interpersonal skills.

Please send full cv, stating salary, ref LP3969, to NBS, Prospect House, 32 Sovereign Street, Leeds LS1 4BJ

NBS SELECTION LTD
a BNS Resources plc companyLeeds 0113 245 5830 • London 0171 493 6592
Aberdeen • Birmingham • Bristol • City
Edinburgh • Glasgow • Leeds • London
Manchester • Slough • Madrid • ParisSix Figure Base
+ bonus + benefits

Retail Financial Services

City

Finance Director

Key appointment in a highly successful retail financial services group which is part of a global blue-chip merchant bank. Challenging brief to manage a substantial finance function as a core member of the senior management team contributing to strategy and positioning the business for the challenges and opportunities facing this dynamic company.

THE ROLE

- Reporting to the Chief Executive, responsible for leading and developing an established finance department of 100 staff, including accounts, actuarial, internal audit, tax, planning and budgeting.
- Contributing to business planning, strategy, acquisitions and other business development issues.
- A key member of the senior executive team playing a pivotal role in establishing the future direction of the group.

THE QUALIFICATIONS

- Qualified accountant with proven financial management experience gained in a financial services group or an exceptional track record in a respected corporate.
- Analytical, highly numerate and imaginative. A strategist with the vision to play a key role in directing the growth of the business.
- Natural team player and adept staff manager who enjoys working in a dynamic, performance-driven company where there is scope for direct action and initiative.

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700Selector Europe
Spencer StuartPlease reply with full details to:
Selector Europe, Ref. SL20041001,
16 Connaught Place,
London W2 2BP

scala®

The Company

Scala is a leading FMA software, with more than 12,000 installations worldwide. Scala ECE is the regional head office for Scala operations in Eastern and Central Europe, the CIS and Turkey. Since its formation four years ago, the company has expanded rapidly and has recently completed a private placement with UK Institutional investors.

The Position

Due to the rapid growth of the company, the need has arisen for a Regional Financial Controller. Reporting to the Finance Director, the successful candidate will have full responsibility for financial and management reporting. Additional responsibilities include:

- Cash management for the group
- Further development of the company's reporting procedures
- Ad hoc project work

In addition, the position requires travel throughout the region.

REGIONAL FINANCIAL CONTROLLER-BUDAPEST Competitive Expatriate Package

The Candidate

Those applying for the position should have the following qualifications:

- Qualified accountant (British ACA or equivalent) with two-three years post-qualification experience and successful track record
- International consolidation experience, including IAS/GAAP knowledge
- IT literate with the drive and ambition to take on a diverse and demanding workload
- Strong interpersonal and communication skills
- Age: 27-30
- Additional language skills, while an advantage, are not a prerequisite.

Please respond in confidence by fax to:
Michael Longman, Finance Director
Scala ECE, Oktober 6 u. 7/321
H-1051 Budapest
Fax: +36 1 266-5701

Financial Planning & Analysis Controller

International Jewellery Company

London

£50-£55,000 pa
Car + Benefits

The phenomenal growth of CAROUCHON, the international direct sales company, a market leader in high quality innovative costume jewellery and accessories, has to be one of the marketing successes of the 1990's. Founded in late 1990, sales for 1994 were £84 million (retail value) and are projected to grow significantly in 1995, through major expansion plans into the entire European area.

A key member of the Management team and leading a small professional department you will, in line with the group's rapid growth plans:

- Design, implement and continually develop the forecasting, budgeting and planning processes.
- Build an internal management information and financial analysis system.
- Provide commercial advice to both operational and strategic discussions.
- Formulate, and gain acceptance to plans, to improve business performance.

A qualified Accountant with a broad financial management background, as well as strong financial planning and analysis experience, your commercial acumen must be one of your greatest assets. Your personal credibility will be a reflection of your sharp business mind and your strong relationship building and influencing skills.

You will have worked in a fast moving, preferably international, environment and you will have the high levels of stamina and the enthusiasm required for this challenge.

Interested candidates should respond with full CV quoting current rewards package to Karen Wilson or Jeanne Bramley, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 3DY, 0171 430 9000, Fax: 0171 405 5995, quoting Ref: HJ2/12043/FT.



Hoggett Bowers

EXECUTIVE SEARCH AND SELECTION

Finance Director

Paris

FF 500,000
Car, Substantial Bonus

Our client is the French operation within a significant division of a major UK Plc which operates in over 100 countries worldwide.

This role reports to the Managing Director and will be instrumental in maximising the potential of the business. Responsible for a professional team you will:

- Review and develop all systems and controls to the highest standards.
- Ensure timely and accurate information is provided to the London Head Office.
- Provide commercial analysis and interface with both the marketing function and customers.
- Support the Managing Director in driving the business forward.

As a qualified Accountant, you will have well-developed leadership skills and a strong affinity with computerised systems. You will have used your broad financial management experience to contribute, in commercial as well as financial terms, to the bottom-line. You must have also successfully and positively influenced your non-finance peer group.

It is essential that you have worked in France, almost certainly for a large international group, and must be able to operate with equal ease in both French and English. Experience of an environment with a significant element of distribution and/or marketing would be ideal.

Interested candidates should respond with full CV quoting current rewards package to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 3DY, 0171 430 9000, Fax: 0171 405 5995, quoting Ref: HKW/12005/FT.



Hoggett Bowers

EXECUTIVE SEARCH AND SELECTION

Asset & Liability Management

Frankfurt £40,000-£50,000 + bonus + benefits

This organisation is a major player in the world's financial markets. Increased trading volumes and the continuing development of the firm's activities in Germany have led to the creation of a new position supporting the treasury function.

An excellent entry point into the firm, the role has responsibility for the provision of accurate management information and entails extensive local and international senior level contact with London and New York. Responsibilities also involve extensive liaison with the front and back offices and assisting with the daily settlement processes in Frankfurt.

The position offers a rare opportunity to develop asset & liability management skills

within a fast paced securities house environment. You are of graduate calibre and may well be a recently qualified accountant or corporate treasurer. You are certainly ambitious, fluent in German and English and have a real commitment to developing a career within treasury.

To be considered, please send your curriculum vitae, including current remuneration, to Susan Milford at Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, or by facsimile on +44 (0) 171 931 1022, quoting ref: SM668.

ERNST & YOUNG

Challenging global role for experienced accountant or credit manager

MANAGER, CORPORATE CREDIT CONTROL & CASH MANAGEMENT

£40,000
+ Car
+ Bonus + BenefitsWEST
END

Our client, a highly successful international market leader in the provision of specialist services to global markets with an extensive network of operations in over seventy countries, wishes to recruit a professionally qualified and experienced accountant or credit manager to a newly created appointment with worldwide responsibilities.

As a senior member of the Corporate Controller's department your prime objective will be to improve cash flows for the Group worldwide. Initially focusing on the receivables process, you will work closely with Financial Controllers, General Managers and local Credit Managers to complete an in-depth review of the entire receivables function from client contact to cash collection.

You will be responsible for developing measurements and targets, systems and procedures to drive the process of continual performance improvement in this critical area, taking a proactive and hands-on role in working with local staff to install new processes and monitor their effectiveness.

The scope of this high profile appointment will then extend to all other areas of cash management and provide a unique opportunity to make a major impact on the bottom line performance of the business.

The strategy for the successful development and growth of the Group, shared with its Fortune 500 parent, is that of continual change. This appointment, a significant component in this strategy, demands an individual capable of identifying key issues and delivering practical and innovative solutions through effective systems and controls, communicated to management at all levels. You will bring to the role extensive experience of managing billings and receivables process ideally gained in an aggressive performance-driven international environment. It is anticipated that success in this appointment will lead to significant career opportunities in the medium term.

Interested applicants should send/fax their full CV clearly indicating how they meet the requirements of the role, in their recruitment advice: Dawn White, at FSS Financial, Charlotte House, 14 Windmill Street, London W1P 2DZ, (Fax: 0171-209 0001) or call her on 0171-209 1000 for further information.

FSS
FINANCIAL

US/UK EXPATRIATE TAX MANAGER REQUIRED

CPA/CA preferable, 6-10 years
"Big 6" firm experience. Salary negotiable. Central London.
Please fax CV to: 0171 336 6550

APPOINTMENTS ADVERTISING

Appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call: Andrew Skarzynski on +44 0171 873 4054 Toby Finden-Crofts on +44 0171 873 3456

Our client is an autonomous subsidiary of a leading PLC and market leader in the manufacture of specialty chemicals with a turnover in excess of £70 million.

North East

£40,000
+ Bonus + Car

Reporting to the Managing Director you will play a key role in the senior management team. In addition to full responsibility for the finance function, you will have the opportunity to provide input on commercial and strategic issues affecting the business.

A graduate and professionally qualified, aged 35-40, you will be a team player possessing well developed inter-personal skills together with a proven ability to instigate change. Critically, your working style will

help to influence and inform non financial managers and enhance the perception of the function as providing a key internal service to the business. Previous experience in process/manufacturing industry, and of mergers and acquisitions would be highly advantageous.

Package is as indicated, but more importantly this represents an exciting opportunity to make a genuine contribution to a forward looking business with outstanding prospects.

Please write, in confidence, with full career and salary details, to Mike Hunter, MSL International Limited, Ebor Court, Westgate, Leeds LS1 4ND.



EXECUTIVE RECRUITMENT CONSULTANTS

LONDON 0171 487 5000 BELFAST 01232 421842 BIRMINGHAM 0121 454 8864 GLASGOW 0141 248 7700 LEEDS 0113 245 4757 MANCHESTER 0161 835 1772

Financial Director

London c. £75,000

This is a unique opportunity to participate in the development and operation of a newly established gold mining company with a project in Central Asia and which will be seeking a full listing on the London Stock Exchange.

Management will be exercised by a small but dedicated team based in London. Annual turnover is expected to reach £30 million following the construction and commissioning of the mine and process plant when full production rates are achieved.

The Financial Director will be required to establish all accounting, control and monitoring activities and will ensure suitable information systems are implemented throughout the company to ensure accurate and timely reports are prepared for the Board on a regular basis.

The Company is seeking a vigorous and ambitious chartered accountant aged 35-45 who has graduated into industry or commerce, having completed professional training, has good interpersonal skills and is seeking a new and exciting challenge.

The position offers the opportunity to work closely with the Board whilst maintaining a hands on involvement with the operations. Duties will initially involve considerable foreign travel to ensure the controls and monitoring are implemented effectively and suitable expatriate and local accountants are recruited, trained and positioned.

Previous public company experience will be advantageous.

An attractive remuneration package will be available to the selected candidate.

Write, in confidence quoting reference number FT946/DK to David Knowles, PRS Limited, Culpepp House, 74-78 Town Centre, Hatfield, Herts, AL10 1JW. Fax: 01707 256881

International Recruitment Consultants Hatfield & Hong Kong

PRS

Develop Your Career in Investment Banking

Our client is a long established and highly respected investment banking group with extensive international operations. Core businesses include corporate finance, capital markets, securities broking and trading, asset management and corporate banking. Sustained growth and promotions to roles elsewhere in the Group have created new opportunities within the operational audit team. Enjoying a high profile within the Group and reporting to the Chief Executive, operational audit is a business focused function responsible for ensuring that management controls are effective in meeting business needs. We are seeking to recruit energetic, high calibre individuals for the following roles.

Audit Executive

from £30,000 plus banking benefits

This represents a superb point of entry into, or first move within, the investment banking sector. Probably a qualified accountant aged 25-30, you will gain exposure to a wide range of business areas and to their risk implications. Enjoying extensive management contact, you will learn how the integrity of the control infrastructure is assured and how the different aspects of risk are controlled.

Candidates are likely to be graduate accountants who can demonstrate technical rigour, commercial acumen and strong interpersonal skills. You will be able to analyse complex issues, identify solutions and communicate your findings effectively both orally and in writing. Gaining an international perspective on the business (based in London; travel content c.15%), you will enjoy excellent career prospects within a prestigious global investment bank.

Please write to Janet Bullock at BBM Selection, quoting reference 361, and enclose a full Curriculum Vitae that includes contact telephone numbers. All applications will be treated in the strictest confidence.

76, Watling Street, London EC4M 9BJ

BBM
SELECTION

Securities Audit Manager

to £55,000 plus banking benefits

This senior role spearheads the promotion of audit and related services to the international securities businesses. Liaising with management at the highest levels you will ensure the efficient operation of appropriate risk control structures. Possessing operation of appropriate risk control structures. Possessing post-qualifying experience in a securities environment, you will have a detailed knowledge of equity derivatives and, ideally, exposure to monitoring and controlling trading risk.

Tel: 0171-248 3653 Fax: 0171-248 2814

Finance Director

Croydon competitive package and relocation

If you're an energetic and experienced finance management professional, this is a challenging opportunity to maximise the potential of a flourishing business that you'll relish.

The company is a professional multi-disciplinary consultancy, a listed plc subsidiary with a turnover of £20 million. A globally expanding business with a UK base, it is backed by a forward thinking management team. Take control of the finance team and you will drive and develop this key area of the business, taking full responsibility for financial management and control. You'll enjoy every opportunity to help plan and deliver significant global growth.

To be considered, you must be an ambitious and focused individual with the presence, influence and determination to make an impact. Professionally qualified and exceptionally commercially astute, you'll need the excellent interpersonal and communication skills to influence the rest of the management team.

To apply, please write, enclosing full CV and salary details, quoting reference M822 to: Bakers Human Resources, Berwick House, 35 Livery Street, Birmingham B3 2PB.

Your CV will be forwarded to this client only. Please indicate any company to which your details should not be sent.

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EXECUTIVE CONNECTIONS

Baring Securities

The combination of Barings' investment banking activities with those of ING Group has created substantial new opportunities for the group in the fields of international finance and capital markets. It is against this background that they now wish to recruit a Business Analyst into their middle office function.

Located on the trading floor the function exists to proactively manage and enhance the relationship between the front office and operational areas. The position offers a variety of responsibilities including:

- Closely working with sales management to develop and formulate marketing initiatives and strategy.
- Development of business plans in conjunction with product heads.
- Working with key operational areas in enhancing the dealing room controls and procedures.
- Working with risk management to understand and communicate market/trading floor issues.
- Analysis of product margins and client profitability.
- Competitor analysis and reviewing key performance indicators.

BUSINESS ANALYST

To meet these exceptional challenges requires an equally exceptional individual. You are likely to be aged 27-33, to be a qualified Accountant/MBA and to have gained experience in product development, analysis or marketing. You must be a highly assertive and confident self starter with the ability to liaise effectively with senior management. Whilst you are likely to possess securities industry experience it is conceivable that you could currently be working for a commercial company. Future prospects are excellent and include opportunities to work both in London and internationally.

If you feel that you can meet the challenges that this unique role offers then please send your CV to our retained Consultant Chris Persson at Executive Connections Ltd, 43 Eagle Street, London WC1R 4AP (fax: 0171 872 0083). If you have any questions please telephone him on 0171 242 8103 (evenings/weekends 0181 948 2093). Please note: Any CVs forwarded to Barings directly will be returned to Executive Connections to be processed.

BARINGS
Member of ING Group

An Exceptional Opportunity in Financial Management

Group Reporting Accountant

c £40,000
Middlesex

As a recent entry into the FTSE 100, British Sky Broadcasting (BSkyB) is capitalised in excess of £6bn and provides the leading UK pay television broadcasting system. Fully listed in both London and New York, the group is highly focused, combining a dynamic management culture with an entrepreneurial and growth orientated environment.

There now exists the need to augment the finance function with the appointment of an outstanding accountant. Reporting directly to the Group Controller and managing the financial reporting function, the appointee will be responsible for all statutory reporting requirements. In addition, the role

will encompass ad hoc projects such as the development of prospectus/circular issues, and extensive stock exchange work.

The successful applicant will ideally be a graduate ACA, qualified within a 'Big Six' firm and currently working with a major plc. Aged 26-32, candidates should have at least 3 years reporting experience at a group level, with detailed knowledge of US/UK GAAP and stock exchange requirements. Highly numerate and with excellent modelling skills, you will be used to working in a similarly dynamic and fast moving environment, be a self-starter and able to demonstrate an accelerated career to date.

Interested applicants should write in the strictest confidence to our retained consultants Christopher Mills or Brian Hamill at Walker Hamill Executive Selection, forwarding a brief resume quoting ref CM2085. All direct applications will be forwarded to Walker Hamill.

Financial Controller GLASGOW

For a leading employee benefits and financial services company.

- **THE RESPONSIBILITY** is to the Regional Managing Director for the provision of an authoritative input to financial, commercial and strategic development of the business.
- **THE NEED** is for a chartered accountant with outstanding intellect, well developed analytical skills and experience of providing effective financial controls. High energy levels, excellent communication skills and leadership qualities are essential.
- **SALARY** around £45,000 plus bonus and benefits; preferred age 35-45.

Write in confidence, enclosing a Curriculum Vitae, quoting ref: T8000 to:

TK
SELECTION

8 Hallam Street, London, W1N 6DJ Fax: 0171 631 5317
A DIVISION OF TYZACK & PARTNERS

FINANCIAL ACCOUNTANT Export Manufacturer

North East

Negotiable to £30,000

This profitable, £35 million turnover, autonomous subsidiary of a major US multinational is benefiting considerably from a major programme of strategic change and business improvement. The company manufactures and markets specialist chemicals primarily for export and now wishes to appoint a commercially orientated accountant who will work closely with the Finance Director to augment a company-wide improvement in financial planning, control and profit performance.

As a vital member of the financial team, you will provide essential support for all key business decision making and assist in developing a culture of enhanced commercial awareness, continuous improvement and profit focus. This will involve taking responsibility for financial planning and control with specific accountability for cash, financial management, internal audit and ad hoc business analyses.

An accountant, ideally with three to five years' post qualification experience, you must have a broad knowledge of autonomous accounting systems, IT, provision of management accounts and cash management gained from manufacturing industry. Additionally, you must have strong commercial and leadership skills combined with the necessary talent and ambition to develop rapidly and progress beyond this initial appointment.

Interested candidates should submit a comprehensive career resume quoting Reference 11413/FT. The confidentiality of all approaches is strictly guaranteed.

Varley Walker & Partners
HUMAN RESOURCE CONSULTANTS
182 Portland Road, Newcastle upon Tyne NE2 1DJ.
Tel: 0191 221 0101 Fax: 0191 221 0842

Varley-Walker

DIRECTOR OF FINANCE MIDDLE EAST BASED

One of the major suppliers of healthcare services employing over 5,000 staff worldwide and achieving revenue in excess of £200 million annually, this group of companies is committed to excellence in performance and total quality.

The group now requires a creative and competent Finance Director aged 38-48, to complement the organisation's approach to innovative change, whilst providing the highest quality service. Excellent managerial skills, commercial maturity, strong personal presence and high levels of drive and commitment are essential.

The successful candidate will be a graduate qualified accountant, responsible for establishing and further developing the financial structure which provides controls, systems and policies and procedures to ensure maximisation of investment for each company within the group.

An appropriate tax free salary will be paid emphasising the importance placed upon this role by the group. In addition a benefits package which includes a performance related bonus, free married accommodation, return airfares, school fee allowance, private health care and company car is available.

Please write in confidence with full career and salary details to:

Peter Elspere,
c/o Karen Beardsell,
United Medical Enterprises Limited,
20 Newcomen Street,
London SE1 1YR.

Fax: 0171 378 0706 Tel: 0171 378 1898

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COMMODITIES AND AGRICULTURE

'Russia seeks inducement to stay in diamond cartel'

By Kenneth Gooding, Mining Correspondent

Russia is asking for substantial inducement in its mining industry as part of a deal to renew its contract with the diamond cartel organised by De Beers of South Africa, according to Diamantaire, a newsletter published by the CRU International consultancy group.

Projects being considered would cost between \$500m and \$1bn, it says, and would be carried out by Anglo American Corporation, South Africa's biggest group and, like De Beers, effectively controlled by the Oppenheimer family.

However, Almay Ross-Sakha, the diamond mining organisation in Yakutia, the biggest Russian producer, insists it does not need or want Anglo's help. "So any investment would probably have to be in gold mining rather than diamonds," says Mr Mark Cockle, editor of Diamantaire.

The present five-year contract between the Russians and De Beers' Central Selling Organisation, which controls about 80 per cent of world trade in rough (uncut) diamonds, expires at the end of this year.

Negotiations have been difficult and the rest of the industry has become increasingly

nervous because co-operation between two of the world's biggest producers is no longer working properly. De Beers has complained bitterly about Russia's contract with the diamond cartel organised by De Beers of South Africa, according to Diamantaire, a newsletter published by the CRU International consultancy group.

The newsletter says that Mr Yevgeny Bychkov, chairman of Komdragnet (the state committee for gemstones and precious metals) discussed a programme of investment in "diamond mining and gold" with Mr Peter Gush, deputy chairman of Anglo and a director of De Beers. "If De Beers is to accept the Russian linkage between renewal of the diamond sales contract and a major mining investment, it will want to be in a position to regulate the supply of new Russian diamonds coming on to the market. The South African group is more likely to prefer a diamond mine rather than a gold mine. It is also likely to demand the Russians halt the practice of leaking rough diamonds on to the world markets outside of De Beers' marketing channel."

Diamantaire suggests that all Mr Bychkov has offered so far is renewal of the present contract for another two years on the existing terms. Mr Cockle says: "A two year con-

tract would not solve any of the fundamental problems.

However, Mr Bobby Craig, a stockbroker within the Merrill Lynch group, suggests in a note to clients that the two years would be used to restructure the CSO so that it would more fully represent the major rough diamond producers.

Mr Craig also reports that the CSO is keeping the market short of high quality, larger rough diamonds and suggests two possible reasons: that the CSO wants to encourage a surplus of the type of diamonds coming out of Russia and thereby suppress prices or that a tight market in the high quality goods will facilitate a price increase, likely on confirmation that a deal has been struck with Russia.

Diamantaire's Mr Cockle suggests a deal will be concluded before the end of the year. "Some sort of paper will be signed for the sake of stability in the market. But the value of that document might be open to question."

A CSO official commented: "We are not saying anything [about the negotiations with the Russians] at present."

Diamantaire: £180 or US\$285 a year from CRU Publishing, 31 Mount Pleasant, London WC1X 0AD, England.

Malaysia confirms scrapping of tin quotas

By Tony Hawkins in Harare

The Association of Tin Producing Countries has decided to scrap tin export quotas in June 1996, Mr Mohamad Nor Muhammad, the Malaysian Chamber of Mines' executive secretary, said here yesterday, reports Reuters from Singapore.

"As far as the quotas are concerned, they will end at the end of June 1996," he said. The decision was taken at the producer group's ministerial meeting in Santa Cruz, Bolivia, in September, which Mr Muhammad attended.

He said the ATPC decision to continue the quotas for another six months from January was to allow "an orderly transition to a free market."

"The quotas will end in June. After that the issue will only come up again at the next conference of tin ministers, which will be in October. Then they will decide how to stabilise the market if necessary," Mr Muhammad said.

There was little reaction on the London Metal Exchange, where the three months delivery price for tin closed at \$8,305 a tonne, down \$10.

"This was well signposted, so it has done little to the price," a trader explained.

Zimbabwe tobacco growers beat output and earnings forecasts

By Tony Hawkins in Harare

Zimbabwe's fine-cured tobacco auctions close this week following a much better than expected selling season.

When the sales opened in April industry experts predicted a crop of around 190m kg, which they hoped would sell at an average price of US\$1.95 to \$2 a kilogram. In the event, the sales are closing with a crop of 198m kg old at an average price of \$2.124 a kilogram. This gives growers a gross income of \$421m - up 44 per cent on last year and the second-highest figure to date, after 1991's \$572m.

The average price is up 23 per cent on last year's \$1.73 a kilogram but is still well below the peak of \$3.26 reached during the 1991 boom.

Industry sources say they are surprised that the price held up as well as it did towards the end of the season, when lower quality leaf was expected to drag down the seasonal average. That this did not happen partly reflected some aggressive buying by one of the black-owned tobacco

Zimbabwe Tobacco				
Year	Output m kg	Value US\$m	Exports US\$m	Average Price US cents/kg
1995	198	421	475	212
1994	169	292	400	173
1993	218	270	385	124
1992	201	320	450	160
1991	171	572	532	325
1990	134	354	395	265

* Invoiced. Source: Central Statistical Office, Harare

merchant companies. Tobacco's unexpectedly strong performance will boost exports this year and next and cushion the impact of the 1995 drought on both farm and export earnings.

The Zimbabwe Tobacco Association, which represents growers has recommended a 10 per cent increase in output in

the 1996 season. Tobacco's unexpectedly strong performance will boost exports this year and next and cushion the impact of the 1995 drought on both farm and export earnings.

The Zimbabwe Tobacco Association, which represents growers has recommended a 10 per cent increase in output in

the season just starting, pushing production to around 215m kg. Some in the trade worry that the world tobacco industry will repeat the 1992-95 cycle of overproduction, lower prices and production cutbacks, but with Zimbabwean agriculture - other than tobacco and horticulture - ravaged by drought in 1992 and again this year, those who can grow tobacco will do so.

Dam levels are very low after last season's drought, so the irrigated tobacco crop will be smaller than usual, while if the rains are good - as some long-range forecasts suggest - yields will be lower, as is in the norm in a wet season. This could mean a slightly smaller crop than envisaged, but the quality should be higher.

Report sees big changes in energy market

By David Lascelles, Resources Editor

Energy consumers will demand - and get - more efficient, cleaner and less obtrusive energy services in the future. But it is less clear what kind of companies will supply those services, and how.

This is the leading conclusion of a keynote report on global long-term energy prospects presented to the World Energy Council which meets in Tokyo next week.

The WEC report, which pulls together information from the energy industries of more than 100 countries, says that the

world will depend very heavily on fossil fuels (oil, gas and coal) until the year 2020, a period that will continue to be shaped by present energy structures.

After that, however, the possibilities start to diverge. In one set of scenarios increasing environmental concerns lead to a reduction in fossil fuels use, while in others there is less international co-operation on the environment, creating fewer pressures for change.

The report says that world energy requirements will grow between one and a half and

three times by 2050, and by two to five times by 2100. But energy intensity - the amount of energy needed per unit of GDP - will fall, thanks to greater efficiency and the spread of energy saving technology.

The WEC forecast does not foresee any major energy shortages. Rather the opposite: it expects that estimates of the world's available energy resource base will continue to increase. All scenarios "indicate that economic development over the next century will not be constrained by geological resource scarcities", it says.

Instead, it expects that environmental concerns and financing and technology needs could be bigger constraining factors, prompting international politics to intrude from time to time.

The successful energy companies, the report suggests, will be those that switch from producing energy by volume to providing more sophisticated services to energy users. Which energy suppliers, it asks, "will have refocused their businesses from providing just tons of coal or kilowatt hours of electricity, to providing more flexible, convenient and clean energy services to consumers?"

Poland backs UK proposal for CAP reform

By Christopher Bobinski in Warsaw

A UK government report calling for a radical reform of the European Union's common agricultural policy has been praised for its "realism" by Polish government officials during a visit here by Mr Douglas Hogg, the British agriculture minister.

"We support this kind of approach to the problem," Mr Wojciech Pilarczyk, a deputy agriculture minister said yesterday of the report, which advocates an end to price sup-

port, output controls and export subsidies in the European Union's farm policies.

Poland has the largest farm sector of the four countries next in line for accession talks with the European Union and the country's farming ministry appears to have recognised that failure to reform the CAP could be a major barrier to the country's future membership.

"The report begins a concrete dialogue about the things that have to change inside the EU so that integration can become a real possibility," Mr Pilarczyk said. Were Poland,

the Czech and Slovak Republics and Hungary to join, the cost of the CAP which now runs to around Ecu40bn (£32bn) a year, would according to UK estimates, rise by Ecu15bn a year if farm support mechanisms remained unchanged. In addition the recent General Agreement on Tariffs and Trade settlement forbids the growth in farm subsidies in central Europe that would follow accession to the EU by the four former communist states.

Mr Hogg, meanwhile has been urging the Poles to adapt

their farm policies to the "EU farm mechanisms of the future rather than those in place at the moment". He insists, however, that changes in the CAP will have to be made before enlargement because of the "sheer cost of applying the CAP to an enlarged union" although accession by the central Europeans should not wait until total reforms as outlined in the UK report. At the same time, according to Mr Hogg, "enlargement will of itself provide an irresistible impetus for the implementation of total CAP reforms."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.95% (per tonne)

Close 1785-53 1785-53
Previous 1785-53 1785-53
High/Low 1785-53 1785-53
AM Official 1785-53 1785-53
Kerb close 1785-53 1785-53
Open int. 205,024
Total daily turnover 46,758

ALUMINIUM ALLOY (per tonne)

Close 1505-15 1505-15
Previous 1505-15 1505-15
High/Low 1505-15 1505-15
AM Official 1505-15 1505-15
Kerb close 1505-15 1505-15
Open int. 3,091
Total daily turnover 912

LEAD (per tonne)

Close 588-800 612-13
Previous 588-800 612-13
High/Low 588-800 612-13
AM Official 588-800 612-13
Kerb close 588-800 612-13
Open int. 32,408
Total daily turnover 5,916

NICKEL (per tonne)

Close 7985-95 8105-15
Previous 7985-95 8105-15
High/Low 7985-95 8105-15
AM Official 7985-95 8105-15
Kerb close 7985-95 8105-15
Open int. 44,885
Total daily turnover 9,432

TIN (per tonne)

Close 6270-80 6300-10
Previous 6270-80 6300-10
High/Low 6270-80 6300-10
AM Official 6270-80 6300-10
Kerb close 6270-80 6300-10
Open int. 18,668
Total daily turnover 4,307

ZINC, special high grade (per tonne)

Close 1000-1 1024-24
Previous 1000-1 1024-24
High/Low 1000-1 1024-24
AM Official 1000-1 1024-24
Kerb close 1000-1 1024-24
Open int. 76,698
Total daily turnover 10,014

COPPER, grade A (per tonne)

Close 2875-76.0 2892-53
Previous 2875-76.0 2892-53
High/Low 2875-76.0 2892-53
AM Official 2875-76.0 2892-53
Kerb close 2875-76.0 2892-53
Open int. 187,717
Total daily turnover 48,040

LME AM Official 2/5 rate: 1.5830

LME Closing 2/5 rate: 1.5830

SPT 1545 3 mths: 1.5817 6 mths: 1.5769 9 mths: 1.5738

HIGH GRADE COPPER (COMEX)

Close 125.00 -3.10 121.40 125.00 1,363 181
Previous 125.00 -3.10 121.40 125.00 1,363 181
High/Low 125.00 -3.10 121.40 125.00 1,363 181
AM Official 125.00 -3.10 121.40 125.00 1,363 181
Kerb close 125.00 -3.10 121.40 125.00 1,363 181
Open int. 125.00 -3.10 121.40 125.00 1,363 181
Total daily turnover 410 53

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz) \$ price £ equiv SFr equiv

Close 383.00-383.40
Previous 383.00-383.40
High/Low 383.00-383.40
AM Official 383.00-383.40
Kerb close 383.00-383.40
Open int. 241,831 442,119
Day's High 383.00-383.40
Day's Low 383.00-383.40
Previous close 382.75-383.15

Long Latent Gold Leasing Rates (1/4 US\$)

1 month 4.12 8 months 4.02
2 months 4.10 12 months 4.00
3 months 4.08

Silver (Troy oz) \$ price £ equiv SFr equiv

Close 340.75 340.75
Previous 340.75 340.75
High/Low 340.75 340.75
AM Official 340.75 340.75
Kerb close 340.75 340.75
Open int. 340.75 340.75
Total daily turnover 340.75 340.75

Gold Coins

Close 382.50-383.50
Previous 382.50-383.50
High/Low 382.50-383.50
AM Official 382.50-383.50
Kerb close 382.50-383.50
Open int. 382.50-383.50
Total daily turnover 382.50-383.50

Long Latent Gold Leasing Rates (1/4 US\$)

1 month 4.12 8 months 4.02
2 months 4.10 12 months 4.00
3 months 4.08

Silver (Troy oz) \$ price £ equiv SFr equiv

Close 340.75 340.75
Previous 340.75 340.75
High/Low 340.75 340.75
AM Official 340.75 340.75
Kerb close 340.75 340.75
Open int. 340.75 340.75
Total daily turnover 340.75 340.75

Gold Coins

Close 382.50-383.50
Previous 382.50-383.50
High/Low 382.50-383.50
AM Official 382.50-383.50
Kerb close 382.50-383.50
Open int. 382.50-383.50
Total daily turnover 382.50-383.50

Long Latent Gold Leasing Rates (1/4 US\$)

1 month 4.12 8 months 4.02
2 months 4.10 12 months 4.00
3 months 4.08

Silver (Troy oz) \$ price £ equiv SFr equiv

Close 340.75 340.75
Previous 340.75 340.75
High/Low 340.75 340.75
AM Official 340.75 340.75
Kerb close 340.75 340.75
Open int. 340.75 340.75
Total daily turnover 340.75 340.75

Gold Coins

Close 382.50-383.50
Previous 382.50-383.50
High/Low 382.50-383.50
AM Official 382.50-383.50
Kerb close 382.50-383.50
Open int. 382.50-383.50
Total daily turnover 382.50-383.50

Long Latent Gold Leasing Rates (1/4 US\$)

1 month 4.12 8 months 4.02
2 months 4.10 12 months 4.00
3 months 4.08

Silver (Troy oz) \$ price £ equiv SFr equiv

Close 340.75 340.75
Previous 340.75 340.75
High/Low 340.75 340.75
AM Official 340.75 340.75
Kerb close 340.75 340.75
Open int. 340.75 340.75
Total daily turnover 340.75 340.75

Gold Coins

Close 382.50-383.50
Previous 382.50-383.50
High/Low 382.50-383.50
AM Official 382.50-383.50
Kerb close 382.50-383.50
Open int. 382.50-383.50
Total daily turnover 382.50-383.50

Long Latent Gold Leasing Rates (1/4 US\$)

1 month 4.12 8 months 4.02
2 months 4.10 12 months 4.00
3 months 4.08

Precious Metals continued

SILVER COMEX (100 Troy oz; \$/troy oz)

Close 328.3 -0.4 328.3 328.4 1,208 45
Previous 328.3 -0.4 328.3 328.4 1,208 45
High/Low 328.3 -0.4 328.3 328.4 1,208 45
AM Official 328.3 -0.4 328.3 328.4 1,208 45
Kerb close 328.3 -0.4 328.3 328.4 1,208 45
Open int. 328.3 -0.4 328.3 328.4 1,208 45
Total daily turnover 328.3 -0.4 328.3 328.4 1,208 45

PLATINUM NYMEX (50 Troy oz; \$/troy oz)

Close 414.1 -2.7 414.1 414.1 1,178 140
Previous 414.1 -2.7 414.1 414.1 1,178 140
High/Low 414.1 -2.7 414.1 414.1 1,178 140
AM Official 414.1 -2.7 414.1 414.1 1,178 140
Kerb close 414.1 -2.7 414.1 414.1 1,178 140
Open int. 414.1 -2.7 414.1 414.1 1,178 140
Total daily turnover 414.1 -2.7 414.1 414.1 1,178 140

PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Close 131.05 -1.10 131.05 131.05 5,198 333
Previous 131.05 -1.10 131.05 131.05 5,198 333
High/Low 131.05 -1.10 131.05 131.05 5,198 333
AM Official 131.05 -1.10 131.05 131.05 5,198 333
Kerb close 131.05 -1.10 131.05 131.05 5,198 333
Open int. 131.05 -1.10 131.05 131.05 5,198 333
Total daily turnover 131.05 -1.10 131.05 131.05 5,198 333

SILVER COMEX (100 Troy oz; \$/troy oz)

Close 328.3 -0.4 328.3 328.4 1,208 45
Previous 328.3 -0.4 328.3 328.4 1,208 45
High/Low 328.3 -0.4 328.3 328.4 1,208 45
AM Official 328.3 -0.4 328.3 328.4 1,208 45
Kerb close 328.3 -0.4 328.3 328.4 1,208 45
Open int. 328.3 -0.4 328.3 328.4 1,208 45
Total daily turnover 328.3 -0.4 328.3 328.4 1,208 45

ENERGY

CRUDE OIL NYMEX (42,000 US gals; \$/barrel)

Close 17.00 -0.25 17.00 17.00 43,000 43,000
Previous 17.00 -0.25 17.00 17.00 43,000 43,000
High/Low 17.00 -0.25 17.00 17.00 43,000 43,000
AM Official 17.00 -0.25 17.00 17.00 43,000 43,000
Kerb close 17.00 -0.25 17.00 17.00 43,000 43,000
Open int. 17.00 -0.25 17.00 17.00 43,000 43,000
Total daily turnover 17.00 -0.25 17.00 17.00 43,000 43,000

CRUDE OIL IPE (\$/barrel)

Close 17.00 -0.25 17.00 17.00 43,000 43,000
Previous 17.00 -0.25 17.00 17.00 43,000 43,000
High/Low 17.00 -0.25 17.00 17.00 43,000 43,000
AM Official 17.00 -0.25 17.00 17.00 43,000 43,000
Kerb close 17.00 -0.25 17.00 17.00 43,000 43,000
Open int. 17.00 -0.25 17.00 17.00 43,000 43,000
Total daily turnover 17.00 -0.25 17.00 17.00 43,000 43,000

HEATING OIL NYMEX (42,000 US gals; \$/barrel)

Close 17.00 -0.25 17.00 17.00 43,000 43,000
Previous 17.00 -0.25 17.00 17.00 43,000 43,000
High/Low 17.00 -0.25 17.00 17.00 43,000 43,000
AM Official 17.00 -0.25 17.00 17.00 43,000 43,000
Kerb close 17.00 -0.25 17.00 17.00 43,000 43,000
Open int. 17.00 -0.25 17.00 17.00 43,000 43,000
Total daily turnover 17.00 -0.25 17.00 17.00 43,000 43,000

GAS OIL IPE (\$/barrel)

Close 17.00 -0.25 17.00 17.00 43,000 43,000
Previous 17.00 -0.25 17.00 17.00 43,000 43,000
High/Low 17.00 -0.25 17.00 17.00 43,000 43,000
AM Official 17.00 -0.25 17.00 17.00 43,00

Bunds hit by jobs data and supply worries

* Tap stock. ** Tax-free to non-residents on application. E: Auction basis, and Ex: dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

LONDON SHARE SERVICE

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

III. DRUG USAGE PATTERNS

Notes

DISTRIBUTION

INTERVIEW:

ELECTRICITY

Medium	Ratio	+ CR	1905	Mkt	Yld
			Mo	Jan	Co

107	48	100	122	4000	14
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High Index	171	+3	173	123	123	3.4	2
Low Index	171	+3	173	123	123	2.2	1

ENGINEERING VEHICLES

_____ 14 _____ 4 _____ 14 _____ 14

+ 0.07 1985

FOOD PRODUCTS

AS DISTRIBUTION

Table 1

	Model	Price	+ US	1
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INSURANCE

INVESTMENT TRUSTS

[illegible]

$\frac{1}{2} \times 100 = 50\%$

142	142	1
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TRUSTS ONLY

Page No. _____

هكذا من الشَّهِيل

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]**BERMUDA (REGULATED)**)**[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]**GUERNSEY (REGULATED) ("G")**

Bank of Montreal	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
Bank of New York	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
Bank of Toronto	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
Bank of the West	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
Bank of the South	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
Bank of the North	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
Bank of the East	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
Bank of the West	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
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Bank of the North	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
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Bank of the West	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
Bank of the South	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
Bank of the North	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
Bank of the East	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
Bank of the West	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
Bank of the South	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
Bank of the North	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
Bank of the East	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
Bank of the West	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
Bank of the South	28.12	+0.12	14,341	100.00	2.8%	12.5	1.2	32.50	27.50
Bank of the North</									

IRELAND (REGULATED))**[illegible]

EXAMPLE OF MAN (SIB RECOGNISED)

[illegible]**ISLE OF MAN (REGULATED)**[illegible]**JERSEY (SIB RECOGNISED)**[illegible]

JERSEY (REGULATED)⁽¹⁾⁽²⁾

[illegible]**INVESCO International Limited**[illegible]**LUXEMBOURG** (SIB RECOGNISED)[illegible]**LUXEMBOURG (REGULATED)**[illegible]

مَكْرَمَةُ الْأَعْمَلِ

LONDON STOCK EXCHANGE

MARKET REPORT

Bond market jitters unnervingly share prices

By Steve Thompson,
UK Stock Market Editor

A gradual deterioration across international bond markets provoked increasing nervousness on European stock markets and all but wiped out an earlier good performance by UK equities.

Earlier, the expected increased bid for Fisons by Rhône-Poulenc Rorer, the US subsidiary of Rhône-Poulenc, the French group, together with rumours of imminent bids in the brewing and utilities sectors had given the market a big lift.

Dealers said there was no other factor driving bonds lower than the usual bout of nerves ahead of

important US economic data. Today brings the monthly non-farm payroll report which is expected to reveal an increase of 180,000 new jobs in the US.

A sharp increase in the figure would be seen as jeopardising the chances of a cut in US interest rates when the Federal Reserve Open Market Committee meets on November 15. A worse-than-expected employment report, on the other hand, could prompt renewed worries about the damaging effect on corporate earnings of a sharp slowdown in the US economy.

But the two main stock market indices, the FT-SE 100 and FT-SE Mid 250, still managed to keep their

heads above water.

The FT-SE 100 moved in a near-15 point arc before settling only fractionally higher on the day, up 0.3 at 3,544.4. At one point earlier in the session, when the day's bid rumours came to the boil, the index was 11.2 higher and looking as if it was gathering itself for a determined run at its all-time high - 3,587.0 - reached in the middle of last month.

The FT-SE Mid 250 gave a much more solid performance, closing not far short of its session high and 7.5 better at 3,581.3. Marketmakers said only the merest hint of more bids among the 250 constituents was needed to push the Mid 250 index through the 4,000 barrier for the

first time since February 18 last year.

Dealers said share prices had responded to increasing evidence that money from the previous bids in the electricity sector and elsewhere was being injected into a number of the top quality high yielding stocks.

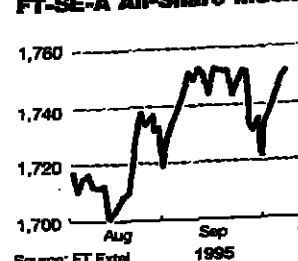
Rhône-Poulenc Rorer's move to increase its offer for Fisons and in the process to send its broker Hoare Govett into the market to buy Fisons stock was the day's feature. With Hoare buying stock at the bid price, turnover in Fisons rocketed to well above the 200m mark, over 21 per cent of overall market turnover which topped 1bn for the first

time in some months.

Among other hard takeover news developments, Boddington, the Manchester brewer, saw its shares rocket before and after news that it had received a takeover approach. The news was also accompanied by hints of a big rights issue to help finance a bid for Boddington. Greenalls was the market's favourite to bid for the Manchester group.

Much lower quality takeover gossip surrounded other stocks. Legal & General, the general insurer, was the FT-SE 100's best performer, up 2.5 per cent, as speculators revived old stories that Allianz, the German insurer, may be about to bid.

FT-SE-A All-Share Index



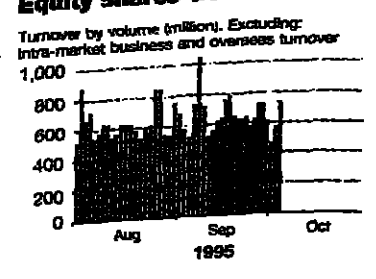
Indices and ratios

FT-SE 100	3544.4	+0.3
FT-SE Mid 250	3581.3	+7.5
FT-SE 100/250	1771.5	+0.8
FT-SE-A All-Share	1750.5	+0.91
FT-SE-A All-Share yield	3.81	(3.81)

Best performing sectors

1 Life Assurance	+2.0
2 Household Goods	+1.5
3 Insurance	+1.1
4 Health Care	+0.9
5 Water	+0.9

Equity shares traded



FT Ordinary Index	2625.4	-1.9
FT-SE-A Non Fins p/e	1872.63	-0.44
FT-SE 100 Fut Dec	3570.0	-0.0
10 yr gilt yield	6.04	(6.00)
Long gilt/equity yld ratio	2.19	(2.18)

Worst performing sectors

1 Oil Exploration & Prod	-1.4
2 Extractive Industries	-1.1
3 Transport	-1.1
4 Spirits, Wines & Cid	-0.8
5 Media	-0.6

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LFFE) C25 per full index point (APT)

	Open	Settle	Change	High	Low	Est. vol	Open int.
Dec	3575.0	3570.0	-5.0	3580.0	3563.0	754	6220
Mar	-	3603.0	-5.0	-	-	0	2303
Jun	-	3607.0	-5.0	-	-	0	134

■ FT-SE MID 250 INDEX FUTURES (LFFE) C10 per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int.
Dec	4020.0	4020.0	+10.0	-	-	0	3538

■ FT-SE 100 INDEX OPTION (LFFE) C25 per full index point

	Open	Settle	Change	High	Low	Est. vol	Open int.
Dec	3575.0	3570.0	-5.0	3580.0	3563.0	754	6220
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Cash pile lifts high yielders

Composite insurers shouldered their way to the top end of the Footsie chart yesterday as income funds searched around for high yielding stocks.

Dealers said money paid out to institutional holders of Eastern Electricity by Hanson, after its £2.5bn takeover of the regional electricity company was still looking for a home. The composites are the second highest yielding sector of the market after the gas distributors - effectively British Gas - and at least two of them are carrying extra weight in the form of interim dividends.

General Accident, which goes ex a 10.7p net dividend shortly, jumped 14 to 632p. Royal Insurance struggled off any concerns about the cost of claims resulting from Hurricane Opal and rose 9 to 366p while Sun Alliance was up 8 at 365p.

Life insurance group Legal & General was the best performer. Footsie stock putting on a rise of 15% to 618p.

There was help early in the day from comments made by the chairman of the Securities and Investment Board who suggested that the regulatory framework could be eased. The stock was boosted further by fairly old takeover talk.

Alliance of German and TSB were both mentioned. Analysts were cynical but pointed out that a lot of the recent rumours in the market have

come true and it was difficult to be a seller in the face of them.

Fisons active

Rumours of Fisons demise have often been exaggerated. But yesterday the end was a good deal nearer as Rhône-Poulenc Rorer moved into the market to pick up some 18.5 per cent of the company's equity.

The move, carried out by Hoare Govett, contributed to 212m of the day's total turnover. However, some dealers were slightly surprised at the number of "error" trades reported - at one stage the volume shown on the screens was as high as 350m shares. The volume followed an increased offer from the hostile bidder. The new offer of 265p a share values Fisons at over £1.8bn.

Although Fisons rejected the new approach, most analysts believed that, on balance, it was enough to win control of the company. They pointed out that if the bid were to collapse shareholders would face a slump of some 30 per cent in the value of their holdings.

City pharmaceutical specialists also felt that the emergence of a "white knight" counter-bidder was not likely at the current level. The heavy buying activity pushed Fisons shares up 4% to 363p.

The belief that the funds freed by a Fisons takeover would be reinvested elsewhere in the sector boosted several rival healthcare stocks. Among them, Reckitt & Colman jumped 9 to 651p and Medeva 8% to 278p. Smith & Nephew rose 2% to 196p with additional help from a day-long pre-

sensation to analysts.

The drinks sector was enlivened in the last hour of trading by confirmation from Boddington Group, that it had received an approach which "may lead to a recommended offer."

The shares had performed strongly on Wednesday and throughout yesterday's session on bid talk. However, it was a late afternoon statement from the group that sent the shares soaring 86 to 358p, after trade of 2.5m.

Boddington did not name its would be suitor, though early suggestions that it could be Whitbread appeared to fade late yesterday as attention turned to Greenalls Group as the most likely predator. Shares in the former closed 7 lower at 629p, while the latter gave up a previous advance to close a net 9% off at 488p.

Dealers suggested an offer for Boddington was unlikely to fall below 350p a share and

keen observers of the sector said they expect Greenalls to launch a deeply discounted rights issue to fund any acquisition.

Channel tunnel operator Eurotunnel dipped 3 to 92p ahead of today's interim results statement. A late rumour hinted that the group would weigh in with a half-year loss of £450m. The previous market range was for a deficit of £300m to £400m.

The group has promised to announce new revenue estimates to replace those contained in the May rights issue prospectus, but analysts were mostly to have their antennae tuned for news on the debt rescheduling negotiations. Eurotunnel is currently in huddle with its bankers on rescheduling \$80m of borrowings. There were also heavy bets yesterday that the group may well have management changes up its sleeve.

Bad news continued to pile up for British Steel. Brokers Williams de Broe turned seller on Wednesday and yesterday SBC Warburg cut its dividend estimates for next year and downgraded the shares from add to hold. The stock finished as clear Footsie backmarker with a 5% decline to 175p - against a 1995 peak of 191p.

UBS was also cautious on Allied Domecq while Lehman Brothers strongly urged investors to sell the stock. The shares surrendered 6 to 526p, in trade of 4.8m. Mr John Wakely at the US investment bank believes Allied Domecq has little alternative but to cut its dividend.

Allied yesterday announced a restructuring of its Carlsberg-Tesley brewing joint venture with Carlsberg, the Danish group.

Buy orders from Wall Street, plus a technical squeeze, were said to have boosted support services leader Rentokil which spent last week making a

We started by being different

and then continued in the exact same way.


SOREMA is perfectly positioned to succeed in the international marketplace because of its family connections. Since its origins in 1840 as a farmer's insurer, our parent GROUPEMA has grown to become the largest mutual insurance group in France and one of the most profitable in Europe. Because we feel it is an asset to be different, we always listen to our clients and respond with flexibility, technical competence and unique solutions to their needs. Looking toward the future, SOREMA will continue to expand internationally and serve its clients all over the world. SOREMA operates worldwide from offices in London, Paris, Cologne, Singapore, New York, Chicago, Houston, Hartford, Los Angeles and Toronto.

Deep-rooted Strength

FT-SE Actuaries Share Indices											The UK Series															
	Oct 5	Day's change	Oct 5	Oct 4	Oct 3	Oct 2	Year ago	Div. yield%	Net cover	P/E ratio	Yld. ratio	Total Return		Oct 5	Day's change	Oct 5	Oct 4	Oct 3	Oct 2	Year ago	Div. yield%	Net cover	P/E ratio	Yld. ratio	Total Return	
FT-SE 100	3544.4	-----	3554.1	3524.2	3502.2	3484.4	3.98	2.07	15.13	119.95	1403.76	1403.76	Financial Times	931	-----	931	928	928	928	928	928	928	928	928	928	
FT-SE Mid 250	3993.1	-----	3984.8	3968.8	3966.9	3954.5	3.43	1.82	10.33	112.35	1551.07	1551.07	Financial Times	214,000	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	
FT-SE Mid 250 ex Inv Trusts	4018.1	-0.2	4014.0	3984.3	3992.5	3940.1	3.55	1.88	18.75	117.22	1561.30	1561.30	Financial Times	1,000	777	777	777	777	777	777	777	777	777	777	777	
FT-SE 250	1771.5	-----	1770.7	1765.3	1763.3	1760.2	3.05	2.02	16.04	57.86	1433.81	1433.81	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	244
FT-SE 350	1750.9	-----	1757.7	1745.3	1743.3	1732.9	4.92	1.82	19.72	72.84	1181.84	1181.84	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	244
FT-SE 350 Lower Yield	1767.6	-0.1	1768.5	1762.7	1775.7	1450.6	2.78	2.39	18.81	50.14	1206.79	1206.79	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	244
FT-SE Smallcap	1875.48	-0.1	1873.79	1871.61	1870.52	1776.01	3.27	1.68	22.84	50.04	1582.24	1582.24	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	244
FT-SE Smallcap ex Inv Trusts	1860.57	-0.1	1860.70	1858.74	1854.32	1746.74	3.74	1.75	20.41	55.05	1585.39	1585.39	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	244
FT-SE 350-AR	1755.75	-0.1	1748.74	1744.19	1738.99	1469.59	3.81	2.00	16.41	50.00	1440.24	1440.24	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	244
■ FT-SE Actuaries All-Share																										
	Oct 5	Day's change	Oct 5	Oct 4	Oct 3	Oct 2	Year ago	Div. yield%	Net cover	P/E ratio	Yld. ratio	Total Return		Oct 5	Day's change	Oct 5	Oct 4	Oct 3	Oct 2	Year ago	Div. yield%	Net cover	P/E ratio	Yld. ratio	Total Return	
10 MINERAL EXTRACTION(2)	4297.0	-0.3	2880.46	2882.74	2947.12	2633.96	3.77	2.09	15.58	120.22	1250.68	1250.68	Financial Times	242	581	581	581	581	581	581	581	581	581	581	581	
12 Chemicals(14)	2970.18	-0.1	2969.35	2974.61	2956.07	2917.37	3.46	1.95	16.71	62.40	1240.85	1240.85	Financial Times	242	581	581	581	581	581	581	581	581	581	581	581	
10 Oil Integration(7)	2573.06	-0.6	2569.96	2571.48	2580.33	2594.07	3.35	1.82	15.48	94.42	1191.64	1191.64	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
16 Oil Exploration & Prod(13)	1953.82	-1.1	1964.39	1975.06	1971.82	1889.56	2.57	1.48	32.82	49.86	1161.39	1161.39	Financial Times	894	613	613	613	613	613	613	613	613	613	613	613	
20 GEN INDUSTRIALS(27)	1968.72	-0.3	1900.30	1903.28	1907.83	1845.08	4.12	1.81	16.51	65.90	1064.75	1064.75	Financial Times	2,100	619	619	619	619	619	619	619	619	619	619	619	
21 Building & Construction(30)	927.02	-0.2	928.88	928.55	923.59	916.48	4.28	1.86	14.51	32.30	761.31	761.31	Financial Times	857	498	498	498	498	498	498	498	498	498	498	498	
23 Chemicals & Merch(31)	183.03	-0.1	1753.22	1743.61	1740.37	1787.21	4.20	2.01	14.77	56.87	983.95	983.95	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
23 Clothing	2481.31	-----	2480.12	2447.34	2418.10	2283.25	3.88	1.83	17.63	79.34	1147.56	1147.56	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
24 Diversified Industrials(20)	1771.07	-0.8	1771.11	1775.95	1793.25	1784.11	5.00	1.58	14.16	87.14	962.31	962.31	Financial Times	3,700	186	186	186	186	186	186	186	186	186	186	186	
26 Electronic & Elect Equip(35)	2167.88	-0.1	2170.24	2174.54	2152.25	1978.32	3.44	1.93	18.33	59.99	1107.93	1107.93	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
29 Engineering(59)	2213.75	-0.5	2223.72	2216.76	2203.29	1770.37	3.50	0.83	42.72	71.44	1240.40	1240.40	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
29 Engineering, Vehicles(13)	2675.58	-0.4	2683.51	2680.06	2684.53	2205.37	3.50	0.83	42.72	71.44	1240.40	1240.40	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
28 Paper, Pkg & Printing(27)	2639.50	-0.2	2631.41	2615.77	2623.32	2574.64	3.90	2.50	14.77	55.03	1197.71	1197.71	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
29 Textiles & Apparel(21)	1819.22	-0.1	1815.97	1819.08	1808.05	1595.78	4.46	1.76	15.89	50.56	956.51	956.51	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
30 CONSUMER GOODS(32)	3434.70	-0.1	3435.58	3398.28	3397.73	3270.07	3.89	1.76	12.82	114.51	1239.01	1239.01	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
31 Consumer Goods(18)	2490.08	-0.1	2490.08	2474.21	2500.07	2474.21	3.89	1.76	12.82	114.51	1239.01	1239.01	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
32 Spirits, Wines & Cider(11)	2343.33	-0.8	2399.47	2400.90	2397.51	2175.33	4.02	1.84	15.70	95.18	1030.78	1030.78	Financial Times	2,100	619	619	619	619	619	619	619	619	619	619	619	
33 Food, Beverages(24)	2518.11	-0.1	2518.11	2518.11	2490.93	2487.73	2251.11	4.02	1.77	15.75	80.26	1107.49	1107.49	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	
34 Household Goods(11)	2582.35	-1.5	2584.24	2584.24	2581.59	2259.31	3.99	2.05	16.16	55.15	957.82	957.82	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
38 Health Care(17)	2450.28	-1.1	2450.28	2450.28	2450.28	2450.28	3.99	2.05	16.16	55.15	957.82	957.82	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
34 Pharmaceutical(11)	2450.28	-1.1	2450.28	2450.28	2450.28	2450.28	3.99	2.05	16.16	55.15	957.82	957.82	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
38 Tobacco(1)	4612.39	-0.2	4603.92	4481.10	4481.10	3552.78	3.99	2.00	12.96	229.23	1115.86	1115.86	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
40 SERVICES(27)	2180.88	-0.2	2186.77	2183.58	2178.72	1820.03	3.06	2.07	16.98	65.28	1111.03	1111.03	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
41 Distributors(30)	2733.57	-0.2	2734.67	2734.67	2734.67	2486.36	3.59	1.75	18.90	73.00	901.99	901.99	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
42 Leisure & Hotels(26)	2490.08	-0.2	2490.08	2490.08	2490.08	2490.08	3.21	1.88	15.70	95.18	1030.78	1030.78	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
43 Media(14)	3338.73	-0.6	3338.73	3338.73	3338.73	3338.73	2.18	2.40	23.90	75.14	1192.87	1192.87	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
44 Retailers, Food(18)	1713.74	-0.2	1713.74	1713.74	1713.74	1713.74	3.27	2.42	15.79	95.18	1030.78	1030.78	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
45 Retailers, General(4)	2183.40	-0.4	2183.40	2183.40	2183.40	2183.40	3.27	2.42	15.79	95.18	1030.78	1030.78	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
46 Support Services(37)	2183.40	-0.4	2183.40	2183.40	2183.40	2183.40	3.27	2.42	15.79	95.18	1030.78	1030.78	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
49 Transportation(2)	2205.86	-0.9	2205.86	2205.86	2205.86	2205.86	3.91	1.28	20.53	72.44	900.16	900.16	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
51 Other Services & Business(7)	1213.97	-0.2	1213.97	1213.97	1213.97	1213.97	4.19	1.73	17.26	39.20	1086.84	1086.84	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
60 UTILITIES(7)	2381.71	-0.1	2381.71	2381.71	2381.71	2381.71	4.81	2.02	14.02	86.37	1050.87	1050.87	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
62 Electricity(10)	2780.28	-0.2	2780.28	2780.28	2780.28	2780.28	3.99	2.05	16.16	55.15	957.82	957.82	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
64 Gas Distribution(7)	1780.02	-0.2	1780.02	1780.02	1780.02	1780.02	4.81	0.55	28.30	68.18	1237.10	1237.10	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
66 Telecommunications(7)	2168.08	-0.2	2168.08	2168.08	2168.08	2168.08	3.79	1.71	19.34	51.48	964.32	964.32	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
68 Water(13)	2153.46	-0.5	2153.46	2153.46	2153.46	2153.46	5.35	2.75	9.55	85.07	1144.06	1144.06	Financial Times	1,200	244	244	244	244	244	244	244	244	244	244	244	
■ NON-FINANCIAL 350																										
	Open	8.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	16.10	High/Low	Lows/Lows		Open	8.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	16.10	High/Low	Lows/Lows	
FT-SE 100	3544.5	3545.0	3545.0	3545.0	3545.0	3545.0	3545.0	3545.0	3545.0	3545.0	3545.0	3545.0	3545.0	3544.5	3545.0	3545.0	3545.0	3545.0	3545.0	3545.0	3545.0	3545.0	3545.0	3545.0	3545.0	
FT-SE Mid 25																										

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IS INDICES

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FRIDAY OCTOBER 6 1995

Save your FT
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continued on next page

AMERICA

Nasdaq stable after eight bumpy sessions

Wall Street

US shares were flat in early trading yesterday with technology shares posting modest gains to put an end to the sharp losses seen so far this week, writes Lisa Branstetter in New York.

At 1 pm the technology-rich Nasdaq composite was 1.17 points higher at 1,003.44 after eight bumpy sessions that had brought the index down by nearly 5 per cent by Wednesday.

The Pacific Stock Exchange technology index added 0.5 per cent.

Bellwether technology issues, however, were mixed. Microsoft shed 1/8% at \$85. Hewlett-Packard was 1/8% lower at \$79 and IBM gave up 1/8% at \$83.

Meanwhile, Intel added 1/8% at \$59 and America Online gained 1/8% at \$41.

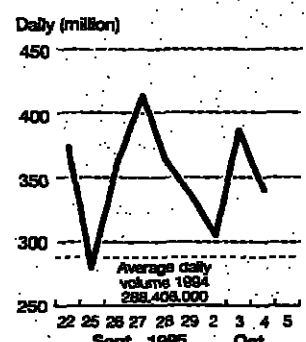
Semiconductor shares, which staged a sharp sell-off on Wednesday, added to those losses yesterday.

LSI Logic, which shed 12 per cent or \$6 on Wednesday slipped another 3/8% bringing the shares to \$49, while National Semiconductor, which had fallen by 1/8% on Wednesday, was unchanged at \$24.

The Dow Jones Industrial Average slipped 2.17 to 4,738.50,

while the Standard & Poor's 500 shed 1.83 to 579.65 and the American Stock Exchange composite lost 2.00 at \$30.10. Volume on the NYSE came to 207m shares.

NYSE volume



The market was expected to trade in a narrow range throughout the rest of the session as traders and investors awaited the release of today's statistics on September employment levels.

Kmart shares slid 5.6 per cent or \$1 to \$12% after the retailer said it expected third-quarter results to be "well below last year's earnings performance of 4 cents for the quarter."

Amgen shares fell 11.3 per cent or \$14 to \$124 after announcing that it had made a 10 per

cent drop in same-store sales in September.

Corning shed 6.3 per cent or \$14 to \$22% after the company warned that third-quarter earnings would be about 30 per cent lower than the 51 cents a share it had posted in the same period last year. This was because of a pre-tax charge of \$62m which was taken to increase reserves at its Corning Clinical Labs division.

Canada

Toronto was mixed in midday trade as investors sought stocks to see them safely through the traditionally volatile month of October.

The TSX-300 composite index fell 4.84 at noon to 4,877.18 in volume of 28.8m shares.

Banks eased after their recently positive performance but utilities and pipelines were among weak sectors.

Canadian Pioneer Energy picked up 5 cents to 35.5 cents in active trade.

High technology issues were mixed. Corel fell 1/8% to \$21% while Gandalf Technologies rose 1/8% to \$28.

Falling stocks included the satellite antenna maker, TeCom Electronics, which lost 1/8% to \$17.

Among rising issues, Formation Capital, the mineral developer, picked up 1/8% to \$39.

EUROPE

Tech stocks swing on US rollercoaster

Wednesday's US sell-off in semiconductor-related and high tech stocks impacted directly on big European names like Ericsson, Nokia, SAP and Philips, writes Our Markets Staff, reinforcing the question marks against prospects for Stockholm, and Helsinki in particular after their outperformance in the first nine months of this year.

Nokia A bottomed at FM288 before closing FM3 lower at FM278. Ericsson B closed SKR5.50 off at SKR153.50 after a low of SKR150. The two big telecom stocks had risen by 20 per cent, and 23 per cent respectively in the third quarter after gains of 50 per cent, and 25 per cent in April/June.

Mr Francois Langlade-Demoyen, European strategist at CS First Boston, said that the current high tech weakness was a "necessary consolidation"; he maintained his preference for growth stocks in the present, sluggish European economic climate, and for peripheral markets like Sweden, Finland and Italy which he said, combined improving economic fundamentals with sustained earnings growth.

PARIS managed to sustain itself above the 1,800 level, but only just and the CAC-40 index finished off 3.55 at 1,800.32.

after a low of 1,788.49. Turnover was Ffr3.7bn. Lehman Brothers said yesterday that it had raised its exposure to France, mainly because of the equity market's underperformance against other continental bourses so far this year. Mr Ian Scott and Mr Joe Rooney said that they did not go along with a general feeling among investors that there was little scope for short-term rates to be lowered.

Axa, which released its interim results to be "significantly" higher than the previous year, rose Ffr3.90 to Ffr273.50. Still in insurers, UAP, which released its half-year figures on Wednesday, dipped Ffr4.30 to Ffr115; a number of brokers said that they were downgrading their 1995 estimates, while one US house was understood to have cut its recommendation on the stock from "neutral" to "underperformer".

Meanwhile, Alcatel-Alsthom lost Ffr1.50 to Ffr437.40, although the chairman reiterated that he expected the company to make a return to profit next year, following the extensive restructuring programme now underway.

Eurotunnel lost 15 centimes to Ffr7.50 ahead of today's

FT-SE Actuaries Share Indices

		THE EUROPEAN SERIES									
		11.30	12.00	12.30	13.00	14.00	15.00				
Hourly changes		Open									
FT-SE 100	1420.68	1424.05	1423.86	1423.71	1423.13	1421.54	1421.27	1423.43			
FT-SE 250	1530.36	1532.38	1532.00	1531.51	1531.07	1529.73	1527.80	1541.57			

interims which will be closely scrutinised, with analysts expecting a net loss of about Ffr3.5bn.

FRANKFURT was led lower by SAP preferred. DM5.50 lower at DM226 as the Dax index fell 20.06 to an all-time low of 2,191.54. However, the software group's introduction to the Dax 30 last month had brought it even better gains than Nokia and Ericsson, with a rise of 33.5 per cent in July/September.

Turnover fell from DM5.4bn to DM4.5bn. Coincident weakness in the dollar and bunde was no aid to sentiment. Continental, the tyre maker, closed only 1 pf higher at DM20.61 after responding earlier to a forecast of higher profits for 1995.

MILAN balanced further weakness in Fiat against positive news on the political front and the Comit index finished

0.28 ahead at 614.00. Fiat, which tumbled 4.3 per cent on Wednesday after what was reported in Milan to have been a very downbeat presentation to analysts in London, fell another L43 to L5,608.

James Capel, which had upgraded the stock to a buy after the half year results last week, commented that Fiat appeared to be adopting a cautious approach to the second half of the year at the London meeting. However, that stance was likely to prove too conservative and the broker advised clients to regard weakness in the stock price as an opportunity to buy.

Gemina picked up L14 to L735 after the announcement late on Wednesday that it planned to announce share swap rates for the merger with Ferruzzi between October 15 and 20.

ZURICH again found the

Mexico up on Ortiz comments

Mexico City was encouraged by the initial remarks from Mr Guillermo Ortiz, the finance minister, at a news conference called to report on the state of the economy. By midsession the IPC index was 57.06 firmer at 2,334.19.

SAO PAULO trimmed early gains to stand 1 per cent higher in light midday trading. The Bovespa index was up 473 at 44,736 by 1 pm. Turnover was thin at R\$134.6m (\$140.5m). Telebras preferred, which accounted for 65.6 per cent of

the market's volume rose 1.5 per cent to R\$43.25. BURNOS AIRE was cheered by the results of a new public debt buyback tender.

The Merval index was up 4.87 or 1.1 per cent at 437.36 by noon.

Industrials lead S Africa upturn

Futures-related buying and strong institutional demand took Johannesburg sharply higher.

Industrials led the upturn with golds capped in line with bullion's failure to break

through resistance at \$384 an ounce.

The overall index rose 43.1 to 5,706.3, industrials added 69.5 to 7,175.1 and golds firmed 8.6 to 1,504.5.

South African Breweries, the

industrial flagship, added R1.60 to R116.35. De Beers gained 35 cents to R102.35, while the Swiss-based luxury goods and tobacco group, Richemont, gained 50 cents to R47.25.

ASIA PACIFIC

Bombay stronger after badla ban is lifted

India's securities and exchange board said yesterday that it would allow a revised system of carry-forward trade, lifting a ban it had imposed nearly two years ago, writes Sharaz Siddiqui in Bombay.

The government's stock market watchdog has virtually accepted all the recommendations made by a government committee set up to review the revised system of carry-forward transactions. The Bombay stock exchange had now accepted capital adequacy norms, which would enable the SEBI to accept a daily margin requirement of 15 per cent for forward trades. However, in the case of volatile shares, the margin requirement could be increased to 100 per cent.

Brokers welcomed the news, saying that trading volumes were down by over 50 per cent since the ban. "We expect tremendous gains with the index rising above the 6,000 level in the next year," said Mr Ravi Jain, a broker with S.S.Kantilal Ishwarilal Securities.

The BSE index initially soared above the 3,600 level, but the early gains were later trimmed and the market closed up 31.23 at 3,582.61.

The SEBI banned forward transactions in 1993, and last year imposed a ban on renewals in cash scrips to curb speculation.

Under the badla or ready forward system, practised traditionally on the country's bourses, brokers and buyers could carry forward outstanding purchases from one settlement period to the next without paying for them in full, and so acquired large volumes of shares with relatively little money.

Small-to-restrained share prices to a modest increase, writes Robert Paton in Tokyo, with the gains primarily in large capital stocks, and shipbuilders in particular.

The Nikkei 225 average rose 75.33 to 18,220.41. The market was light, volume falling from 370m shares to an estimated 260m.

Renewed weakness in the

dollar and falling New York stocks late on Wednesday combined to discourage investors. After opening slightly lower, the Nikkei moved narrowly between a high of 18,100.64 and a low of 18,267.04. A renewed spurt of interest in shipbuilders triggered a 100-point surge in the afternoon, but profit-taking absorbed a good part of the rise.

The Topix index of all first section stocks put on 4.34 to 1,456.33. Declines outpaced advances by 516 to 516 with 185 unchanged, the capital weighted Nikkei 300 rose 1.16 to 273.72 and, in London, the ISE/Nikkei 50 index fell 1.61 to 1,244.18.

Shipbuilders gained 1.6 per cent. The day's most active stock, Mitsubishi Heavy Industries, rose Y13 to Y797. Kawa-

saki Heavy Industries put on Y10 to Y436. Ishikawajima-Harima Heavy Industries Y7 to Y437. Mitsui Engineering and Shipbuilding Y5 to Y348. and Hitachi Zosen Y4 to Y513. Once again, foreign investors and domestic institutions were the principal buyers.

Interest spilled over into large capital electronics stocks in the afternoon with several posting strong gains. YDK advanced Y140 to Y5,230. Matsushita Electric Industrial Y20 to Y1,509. NEC Y10 to Y1,410 and Oki Electric Industry Y17 to Y952 while Fujitsu increased Y10 to Y1,410. But Fanuc, which reached a high water mark for the year on Wednesday, sank Y40 to Y4,780.

In Osaka, the OSE average inched up 14.3 to 19,629.05 in volume of 45.8m shares.

Roundup

Equities recovered strongly in MANILA, having been in decline for the previous 13 sessions. The composite index rose 48.90, or 1.9 per cent to 2,618.23 in 2.9bn shares.

The market regained the losses it had suffered in reaction to the September inflation data which had been released on Wednesday. But brokers warned that the gains had been mostly technical, and most investors remained wary about interest rates and outlook for oil prices.

TAIPEI lost some of the day's gains on a late bout of profit-taking but the weighted index remained in positive territory with a rise of 14.02 to 5,100.47. Turnover was T\$39bn.

Textiles and constructions, fell by 0.7 per cent and 0.3 per cent respectively.

HONG KONG took profits after four days of gains, the Hang Seng index closing 51.91 lower at 8,888.04 and turnover easing from HK\$5.6bn to HK\$3.34bn. The index monitoring HK-listed mainland China companies, however, was down 13.41 or 1.5 per cent at 896.71.

SINGAPORE blue-chips picked up in the afternoon, the Straits Times Industrial index rising 15.84 to 2,143.56 although, said brokers, foreign-driven buy orders were partly offset by forced selling among speculative stocks.

KARACHI was hit by strike rumours, fresh violence in the city and uncertainty on the political front. The KSE index fell 15.01 to 1,649.59.

FT/S&P ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT/S&P Actuaries World Indices as at SEPTEMBER 26, 1995 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter. The percentage change for each US dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS		Market cap. as at 26/09/95 (\$USm)	% of World Index	Market cap. as at 30/06/95 (\$USm)	% of World Index	% chg in \$ Index since 31/12/94
Number of lines of stock						
Australia (82)		172582.9	1.80	151306.2	1.48	8.27
Austria (20)		16735.0	0.16	15354.0	0.18	-1.14
Belgium (39)		73247.7	0.76	74710.3	0.73	18.14
Brazil (28)		46365.2	0.43	39748.9	0.38	-8.22
Canada (107)		164707.2	1.53	148461.0	1.41	11.70
Denmark (23)		38435.6	0.38	37887.9	0.37	12.11
Finland (25)		42058.5	0.39	37506.6	0.37	42.97
France (100)		356932.7	3.32	366020.0	3.58	5.98
Germany (59)		386028.9	3.62	382245.8	3.74	11.28
Hong Kong (55)		192213.0	1.77	181734.9	1.78	15.11
Ireland (16)		18543.2	0.17	17543.3	0.17	20.96
Italy (59)		138879.6	1.29	132113.9	1.30	1.26
Japan (403)		2712488.3	25.22	2611495.6	25.54	-5.85
Malaysia (107)		171767.1	1.58	172290.1	1.10	3.47
Mexico (118)		107874.8	0.98	98411.3	0.98	22.86
Netherlands (19)		219891.2	2.04	206808.0	2.05	18.61
New Zealand (14)		21842.3	0.20	21608.1	0.21	11.89
Norway (23)		24879.2	0.23	24462.3	0.24	11.12
Singapore (44)		58474.6	0.54	61340.0	0.59	-0.64
South Africa (45)		127341.8	1.18	133571.3	1.31	4.45
Spain (38)		105918.3	0.98	102948.2	1.01	14.44
Sweden (48)		138801.9	1.29	115472.9	1.13	38.65
Switzerland (43)		258183.7	2.37	282779.8	2.75	30.28
Thailand (46)		21767.9	0.20	22672.8	0.22	3.09
United Kingdom (200)		1039641.3	9.61	985444.3	9.65	15.34
USA (504)		4194216.5	38.90	3901748.4	38.15	27.35
Americas (651)						
Australia (82)		172582.9	41.25	151306.2	40.58	25.50
Europe (734)		289702.5	26.94	279702.7	27.25	15.48
Nordic (136)		244174.9	2.27	215014.2	2.10	31.42
Pacific Basin (831)		3294524.1	30.63	3161358.8	30.81	-3.68
Euro-Pacific (1368)		6191548.7	57.57	5948391.5	58.17	4.44
North America (809)		4348824.0	40.44	4056404.4	39.76	28.68
Europe Ex. UK (534)		1863383.2	17.33	1804885.5	17.61	15.58
Pacific Ex. Japan (348)		582027.8	5.41	548993.2	5.38	8.40
World Ex. US (1757)		6570757.6	61.10	6247833.9	61.85	4.31
World Ex. UK (2051)		3721333.8	34.38	3225686.1	30.35	11.91
World Ex. Japan (1778)		8024778.1	74.78	7615036.7	74.48	20.02
The World Index (2291)		10754974.4	100.00	10229532.3	100.00	12.24

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FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS		WEDNESDAY OCTOBER 4 1995										TUESDAY OCTOBER 3 1995										DOLLAR INDEX			
Figures in parentheses show number of lines of stock		US Dollar Index	Change	Day's %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	% chg on day	Gross Div. Yield	US Dollar Index	Change	Day's %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	% chg on day	Gross Div. Yield	US Dollar Index	Change	Day's %	High	Low	Year ago (approx)
Americas (650)																									
Australia (82)		185.88	-1.6	-0.8	174.20	118.72	138.79	161.72	-1.4	4.02	186.82	177.08	120.91	141.29	184.01	191.01	157.85	168.05							
Austria (20)		177.44	0.5	0.3	188.32	113.24	132.50	132.44	0.3	1.36	178.55	185.58	113.05	132.11	182.05	198.27	167.48	181.18							
Belgium (39)		192.72	-0.4	-0.2	180.84	123.10	143.91	140.38	-0.5	3.72	183.40	181.47	123.00	144.78	191.19	201.12	161.68	163.92							
Brazil (28)		146.00	-1.4	-0.9	136.85	93.28	108.02	257.49	-1.4	1.64	148.03	138.83	94.79	110.78	281.06										
Canada (107)		148.55	-0.3	-0.2	135.48	92.33	107.93	139.35	-0.1	2.87	144.82	138.92	92.80	108.44	136.50	150.83	121.81	135.48							
Denmark (23)		279.88	0.8	0.3	289.42	178.84	206.07	212.25	0.2	1.38	279.16	281.82	178.76	206.88	211.82	255.90	226.61	287.28							
Finland (25)		252.10	-0.4	-0.2	238.28	161.03	188.25	227.84	-0.8	1.41	253.05	237.33	162.05	189.35	228.92	276.11	171.13	182.38							
France (103)		127.78	0.2	0.1	161.91	115.49	149.49	110.44	0.2	2.52	128.05	110.44	110.44	110.44	110.44	110.44	110.44	110.44							
Germany (59)		180.04	0.8	0.4	150.01	102.23	119.90	119.50	0.5	2.00	150.84	148.98	102.12	118.86	118.78	167.14	134.73	149.49							
Hong Kong (65)		386.63	1.6	0.4	382.38	246.98	298.71	318.80	0.8	3.76	390.85	357.01	243.73	284.84	377.89	371.31	274.30	341.01							
Ireland (18)		125.00	0.3	0.2	150.00	95.30	104.00	110.00	0.3	3.48	124.54	123.10	95.16	105.88	117.23	246.46	196.34	202.05							
Italy (100)		75.09	0.3	0.4	70.38	47.96	106.87	87.14	0.6	0.48	74.85	73.20	47.96	106.87	87.14	90.48	104.48	104.48							
Japan (483)		143.77	0.9	0.6	136.68	93.81	108.85	108.85	0.1	0.82	144.34	135.55	92.58	116.82	122.56	164.82	136.59	150.05							
South Africa (108)		95.00	0.9	0.9	455.38	314.33	362.78	377.00	0.9	1.73	467.84	451.73	308.43	360.41	468.67	387.16	388.18	358.40							
Spain (100)		101.45	-0.4	-0.4	84.75	64.65	100.00	100.00	-0.4	0.82	101.45	100.00	64.65	100.00	100.00	100.00	100.00	100.00							
Sweden (18)		256.08	0.5	0.2	240.77	160.08	181.82	188.99	0.2	3.48	255.84	238.76	160.08	190.21	198.12										
Switzerland (42)		78.32	-0.5	-0.6	73.41	50.03	98.48	83.12	-0.8	4.82	78.73	73.85	50.03	98.48	83.12	98.82	85.48	95.52							
Taiwan (18)		182.00	0.5	0.3	182.00	148.55	173.77	173.77	0.3	2.12	183.06	218.38	148.55	173.77	173.77	182.00	243.78	198.28							
United Kingdom (31)		371.58	0.8	0.2	348.26	220.33	277.47	245.28	0.8	1.67	371.58	348.26	220.33	277.47	245.28	371.58	348.26	220.33							
United States (178)		322.12	0.8	0.3	330.03	224.91	262.80	261.68	0.5	4.14	340.93	328.22	224.91	261.68	261.68	328.22	363.22	281.06	314.00						
U.S. Dollar Index		148.55	-0.3	-0.2	135.48	92.33	107.93	139.35	-0.1	2.87	144.82	138.92	92.80	108.44	136.50	150.83	121.81	135.48							
U.S. Dollar Index		148.55	-0.3	-0.2	135.48	92.33	107.93	139.35	-0.1	2.87	144.82	138.92	92.80	108.44	136.50	150.83	121.81	135.48							
U.S. Dollar Index		148.55	-0.3	-0.2	135.48	92.33	107.93	139.35	-0.1	2.87	144.82	138.92	92.80	108.44	136.50	150.83	121.81	135.48							
U.S. Dollar Index		148.55	-0.3	-0.2	135.48	92.33	107.93	139.35	-0.1	2.87	144.82	138.92	92.80	108.44	136.50	150.83	121.81	135.48							
U.S. Dollar Index		148.55	-0.3	-0.2	135.48	92.33	107.93	139.35	-0.1	2.87	144.82	138.92	92.80	108.44	136.50	150.83	121.81	135.48							
U.S. Dollar Index		148.55	-0.3	-0.2	135.48	92.33	107.93	139.35	-0.1	2.87	144.82	138.92	92.80	108.44	136.50	150.83	121.81	135.48							
U.S. Dollar Index		148.55	-0.3	-0.2	135.48	92.33	107.93	139.35	-0.1	2.87	144.82	138.92	92.80	108.44	136.50	150.83	121.81	135.48							
U.S. Dollar Index		148.55	-0.3	-0.2	135.48	92.33	107.93	139.35	-0.1	2.87	144.82	138.92	92.80	108.44	136.50	150.83	121.81	135.48							
U.S. Dollar Index		148.55	-0.3	-0.2	135.48	92.33	107.93	139.35	-0.1	2.87	144.82	138.92	92.80	108.44	136.50	150.83	121.81	135.48							
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U.S. Dollar Index		148.55	-0.3	-0.2	135.48	92.33	107.93	139.35	-0.1	2.87	144.82	138.92	92.80	108.44	136.50	150.83	121.81	135.48							
U.S. Dollar Index																									